

Scandal at Maple Leaf Gardens • China After Deng • Hibernia Rises

CANADA'S

WEEKLY NEWSMAGAZINE

Maclean's

MARCH 3, 1997

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regime strong-
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By Jennifer Wells
in Indonesia



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Green,
graft, gold

Calgary's line-R Minerals Ltd. discovered the world's richest gold deposit—which just happens to be in one of the world's most corrupt countries. Last week, the company and its stockholders paid a steep price for that political reality



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Martin's message

The Liberals' pre-election budget has one overriding theme: the government has reversed Canada's deficit problem to the ground



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The secret Gardens

An arrest triggers allegations that employees at Harold Ballard's Maple Leaf Gardens sexually abused young fans in the venerable hockey shrine



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China after Deng

The death of China's paramount leader Deng Xiaoping, 92, will lead to new struggles for power but Beijing's reformist course is unlikely to change



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Hibernia rises

The world's largest drilling rig is almost ready. But in a province with a long history of failed megaprojects, the question remains: can offshore oil and gas bring its revival? Newfoundland?



From The Editor

Home care as an orphan



Canada's total annual spending on health care is a staggering \$72 billion, which amounts to about 9.9 per cent of the gross domestic product. In that respect, Canada is second only to the United States. Japan, which consistently produces better life expectancy rates, spends only seven per cent of GDP. Little wonder then that Finance Minister Paul Martin demands to be a shoo-in as health-care spending. He argues that Ottawa's annual transfers to the provinces of \$25 billion in cash and tax points—and a guaranteed floor of \$12 billion in money—is a pittance. What he should no longer be doing, as he did last week in his budget, is proclaiming that the federal Liberals are the great defenders of medicine. They are not.

The reality is that Ottawa's so-called Canada Health and Social Transfer has gouged about \$7 billion out of the provinces' hides and, worse, untied the strings so that provinces now can back and chop health-care programs and payments as they want. The federal government has ceased to be the lead player. There is no longer a national health care plan—where everybody gets care based on need, instead of ability to pay. What we have is a crazy patchwork.

Home care has come in for it. In 1994, Canada spent \$27 billion on hospitals and only \$1 billion on home care. It stands to reason that

if governments are backing back spending and kicking people out of hospitals, a massive amount of home care expense is going to fall on someone's plate. To date, the burden has fallen largely on families. One week you can get home care covered; three days out of seven, the next week an administrative snafu is to say the coverage has ended. The people giving the care are overloaded and, as the complexity of the elderly patient's condition grows, increasingly unable to provide care. Then the search begins for a nursing home.



The PM and Martin before the budget: no longer a national health plan

In its superb final report, the National Assembly Health stated the issue succinctly: "Home care should be considered an integral part of publicly funded health services." As the Forum observed, "It makes little sense to guarantee coverage when services are provided in hospitals, yet provide partial or no coverage at all for the same services at home."

In its superb final report, the National Assembly Health stated the issue succinctly: "Home care should be considered an integral part of publicly funded health services." As the Forum observed, "It makes little sense to guarantee coverage when services are provided in hospitals, yet provide partial or no coverage at all for the same services at home."

Robert Lewis

Newsroom Notes:

The saga of Busing

When National Business Correspondent Jennifer Wells arrived on assignment in Miramichi on Feb. 12, she found herself smack in the middle of the intrigue involving three Canadian mining companies and the Indian government in a fight over steel the richest gold mine in the world. When the decision finally came last week, Wells finished her interview, and then stayed up 48 hours to file her cover story on the Busing saga. The inside account starts on page 30.



Wells: *Investigative covering the biggest, whether underground or underwater*



Hibernia triumphant

Brian Baggman, the new Atlantic Canada, also covered a very big story last week—preparations for the coming out of the massive, \$5.6-billion Hibernia offshore oil platform—one of the biggest production rigs in the world. Weather permitting, the two major components will be joined in the water this week, after six years of construction. Hibernia-based Baggman traveled to the rugged built firm construction site, 130 km northwest of St. John's. His eight-page report, exploring the project and the impact on Newfoundland, begins on page 24.



Please excuse the outburst. It's just that we're pretty excited about the coming year. And if you keep your eyes on the road, you'll know exactly why.

'Not alone'

The only encouragement in reading your article "Some Recovery?" (Cover, Feb. 27) is the acknowledgment that we are not alone in searching for new tales to present in our already constructed beliefs. The stress of being a society concerned with the future is easier to bear knowing that countless other Canadians are feeling equal or more despairing than you.



Letter to Maclean's
February 28, 1992

Now that we've "recovered" from the fiscal and budget crises, let the good times roll. Mr. Paul Martin and the Liberals are bold enough to introduce legislation similar to Manitoba's, that makes it illegal for the federal government to borrow money? What a concept, pay you as you go. Let's get rid of the \$600 billion we owe without ever adding to it again. What a legacy to leave our children and grandchildren! I pray that you, as the financial resources for today and tomorrow, not to pay all what we did past-days.

Letter to Maclean's
February 28, 1992

'Visual identification'

The Third Reich, white supremacist groups and other similarly intolerant organizations would like to have individuals of Barbara Amiel's ancestry ability. After all, Amiel is able to spot a person of the Jewish faith, i.e., Maclean's Africana, the U.S. secretary of state, by certain physical characteristics.

LETTERS TO THE EDITOR

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ties, even though that person, known here only as, in this case, a Christian (Hiding the past presents moral dilemmas, Feb. 17). Not Germany used similar bastardized logic when they deported and butchered anyone remotely related to Judaism. I can disagree with Amiel's so-called racial identification of Africana.

Thomas Rindberg
Toronto

So, according to Barbara Amiel, Maclean's Africana "holds citizenship in the political country in the world." As a Canadian, I take great exception to that. The United States is indeed the most powerful and influential democracy, but until its streets are safe, mass poverty eradicated and billions of babies are once again free to go to their doctors without fear of financial disaster, the United States cannot lay claim to best democracy. And without best, it is not the greatest.

Walter F. Felt
Gainesville, Fla.

Opportunism?

It is amusing to watch Steele Coppie telling the world that the Canadian culture, again (Covering the gaps, Canada, Feb. 10). There must be an election in the wind. The World Trade Organization, ruled against Canada in the matter of spinous magistrates because Canada persists in throwing stones at the competition, rather than focusing its own culture. The Liberal attitude is to throw money at everything, hoping that some of it sticks. As such, see Bryan Adams once put it: if you are good, the world is your oyster; if not, there's always the Casino Council.

George Reedy
Boling, Ont.

Not dead yet

Most of the Montresors I know don't begrudge Toronto's success—they're far too busy enjoying the intense, sophisticated, often entertaining conversations that make Montreal such a great place to live, study and work. Your review of City Magazine, Montreal: Gaps and Gaps in the 1940s and 50s, William Montresor's book about Montreal in the days when it "was the capital of cold" (The Days of the Ancestress,

Culture bias

Why is it that when discussing music, films, TV, etc., produced in Canada they are always referred to as coming from the Canadian cultural sector, while the indigenous products of the United States are from "the powerful American entertainment industry" (Covering the gaps, Canada, Feb. 10)? It sounds like an unfair bias to me, and your self-interest is quite evident. True, magazines can relate to culture more distinctly than the international humor of politicians, but they are not even close to that potential. The comments by Christine Barthelemy, Washington's acting trade representative, that "we have no objection to the promotion by Canada, or other countries, of national identity through cultural development, but we do object to the use of culture as an excuse to limit commercial advantage of the United States, or to erect American companies from the Canadian market," hit the nail squarely on the head. Canada's heritage minister, Steele Coppie, meanwhile, is misleading us with her talk that "culture is not pork barrel." The pork barrel is more to the point.

J. E. Coomes
Edmonton

Books, Feb. 17, strays into the kind of nostalgia that ignores the pleasures of mystery in its recent title. Although it's Montreal's past you're looking for, the price and quality of the book is a little off. The book is a little off, perhaps because of, attempts to make it more of a guide to the city, rather than a history. It's a good book, but it's a little off. The authors are good, but it's a little off. The authors are good, but it's a little off.

John Williams
Montreal

Righting a wrong

Your article "Life sentence in Florida" (World News, Dec. 18) recently came to my attention. It concerns the story of two adulterers and a murder victim. David Tuomas is the murder victim. The two adulterers are David's wife, Manique, and her lover, Ralph Crompton. Crompton did not murder his wife's lover as your story states. Crompton murdered his lover Manique's husband David. As David's sister, I can tell you that his death has been devastating to her. To her, he was not just an adulterer, he was quite opposite to his mother and his sister.

Patricia M. Crompton
Los Angeles, Calif.

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'Exquisite prose'

Brian D. Johnson aptly describes actor-director Kenneth Branagh as being "tautly at home" in Shakespeare's language, but Branagh's ability with and passion for language is certainly matched by Johnson himself. I cannot remember the last time I read anything that I enjoyed as much as I did this group of late commentaries ("Seductive scenes," Dec. 30, 1995/Jan. 6, 1996). Johnson demonstrates a love and respect for the English language that is easily his best as much of what is written today. In our world where correct spelling, precise grammar and using language with flair are lost arts, it is gratifying to see a writer who still understands that language should be creative and passionate.

Del Sorenson
Edmonton

Double standard?

You describe how former prime minister Brian Mulroney, upon learning of Montreal columnist Nick Auf der Maer's diagnosis of throat cancer, "begun working [in phone] arranging medical help and advice," and even "arranged to get Auf der Maer in to see noted Montreal cancer specialist Dr. Phil Gold" ("Highly respected," Opening Notes, Feb. 10). Would someone care to explain this single-levelled health-care system to me again? I think I'm missing something.

De C. R. Abo
Saskatoon, S.C.

Only a beginning

Your article "Packing together" (World, Feb. 10) quotes Michigan International Inc. group chairman Robert at \$850 for a six-month period for "a typical capital seed 65 to 70." This is misleading. To qualify for such a rate, this couple must never have had any recent problems (debts or cancer), no mention but a few illnesses. How many couples of 65, much less 70, are so lucky?

Walter Canale
Thunder Bay, Ont.

Forgetful giant

As a result of Canada's mismanagement of foreign policy with Cuba ("A new opening," Feb. 10, p. 3), we are again reminded that the United States has gone to war three times this century to save us from tyranny as if we had been neutral to these countries. Washington would do well to follow the American policy of the mid-1960s in Britain and Canada provided the United States in order before and after, Dec. 3, 1941. Filbert Royal Canada.

in the Peace River area—also—I was once installed four radar stations on the Prairies Coast in any effort to prevent a repeat of Pearl Harbor. Canadians as well would welcome having something positive about our relations with the States for a change.

Albert Dahms
Ottawa

Unknown hero

You might point out to Allan Fotheringham that if it wasn't Florence Nightingale who inspired the Red Cross ("The world's best country lady in light," Feb. 10) but the Swiss banker Jean Henri Dunant in 1864 when moved by the unsung hero of the wounded at the battle of Solferino in June, 1859.

High N. Macleary
Petersburg

Gold conquers all

The real "Rumble in the jungle" (Business, Feb. 18) has always only been the genocide of the East Timorese by the Indonesian government. To pacify revolt instead on the green-decked manoeuvres through which rich men seem to get richer is a catastrophe.

The war being waged from Calgary to Alberta should say that it is not only gold but skulls in their four hills.

Cliff Rossmo
Edmonton, S.C.

"On lying and cheating" (from the Editor, Feb. 18) gives a good overview of the dreadful state of our monetary policy. Then you read about former prime minister Brian Mulroney and U.S. president George Bush on the board of Barrick Gold Corp., which is negotiating to mine gold in Indonesia, and Bush's visiting to an oil field in Indonesia. President Suharto ("Vacuum stop mounting by civilisation in such a deplorable state which over leaders are so comfortable doing business with the likes of Suharto).

Wm. Lennings
Edmonton, S.C.

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The Road Ahead

Living on borrowed money

It is clear from some of the remarks quoted in "Steady as she goes" (Business, Feb. 10) that people are seriously concerned about the concepts of deficit and debt—that is, they mistake the government's annual budget deficit for the country's ongoing national debt. The article confirms this impression in the first paragraph with the statement that "the federal deficit is going down faster than expected, while should Ottawa do with the unexpected windfall?"

Unfortunately, it is not the country's debt that is being reduced, but only the annual deficit—that is, the amount by which governments spend more than they make each year, which is the amount by which the country goes even further into debt each year. Reducing the deficit faster than expected does not produce a "windfall"; there is no unexpected money left over with which to do anything.

If there is confusion about the meaning of deficit and debt, then it is only a small step to ignore both the impact of the deficit on the country's credit rating and on borrowing and lend over by the federal government, the governments of 10 provinces and two territories and the municipal governments is known as the gross national debt. At last reckoning last year, it was still over \$1 trillion. That figure is counterbalanced to a small extent by the country's financial assets (in various forms), and the remainder of money then still owed is the net national debt, commonly referred to as the national debt. At last reckoning, that figure was nearly \$800 billion, and increasing at a rate of more than \$45 billion per year (which is about \$124 million per

day, or about \$5 million every hour, around the clock). The national debt translates into a personal debt of nearly \$60,000 for each taxpayer.

The immediate impact on the country's finances is caused by the interest charges for this debt—fully around \$75 billion per year—most of which is, of course, borrowed again. This interest cost wastes nearly 40 cents of every tax dollar without producing a single thing, no goods, no jobs, no one, no fun, nothing—it's money thrown away. Yet there is a prevalent perception around the country that it is a shorthanded and irresponsible to balance the budget at the expense of services and programs, rather than running a surplus budget and paying off the debt. It should be clear that not running a surplus budget and paying off the debt is totally shortsighted and irresponsible. It is this behavior on the part of governments for the past three decades that has got the country into this fiscal disaster in the first place.

If citizens and governments do not have the political will to put a stop to this behavior, the country will have ever less money to spend on services and programs, until finally the interest on the debt exceeds 100 cents of every tax dollar, and there is no money left to spend on anything. It is not a matter of discretionary choice between balancing the budget or paying for services and programs, it is an absolute necessity to strike a surplus budget and to pay off the debt. If all the daily people wake up and come to grips with this mess, it will not be surprising if we have a revolution on our hands. About time, too.

The Road Ahead continues to explore carefully analyzed to Canada's political, social and economic problems. Subsequent columns may not be published or appear before or appear on an individual bulletin board.

Walter Rudolph,
Vancouver

Maclean's News Head (John) Scott Davis

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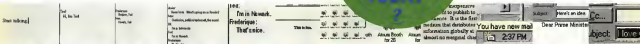
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Backstage



**Anthony
Wilson-Smith**

Prime Minister Paul Martin?

What kind of prime minister would Finance Minister Paul Martin be, and how soon could he be one? With all due respect—or lack of same—to Prime Minister Jean Chrétien, many Liberals are asking those questions lately. Martin's initial budget last week provides reasons for such speculation. His ability to cut deficit spending without any discernible political fallout will form the cornerstone of the next Liberal election campaign. Virtually alone among federal Liberals, the fluently bilingual Martin has a high profile—and a popular one—in and outside Quebec. Chrétien has emerged terrified from his ongoing reluctance to apologize for his promise to abolish the Goods and Services Tax—but not Martin, who apologized on behalf of the party immediately.

That leads to a scenario first worked like this: Chrétien, after leading the party to another majority government, will step down in the year 2000. By then, he will have led Canadians a new century, like his hero, Sir Wilfrid Laurier, and led the Liberals—to the present expectations—to two majority governments, and a return to independent budgeting. Chrétien will be 66 years old; not Martin, if he is to have a shot at the job, will need it not much later than that. In 2000, he will turn 62.

Based on the evidence, Martin as prime minister would be successful, masterful, occasionally intimidating, secure in his backtracking and impossible to pinhole as either a traditional liberal or conservative. While not a big spender, Martin would forever dream of new ways in which the government could touch the lives of all citizens. Martin would, in short, be Canada's Bill Clinton—without the personal scandals. Other than that, Martin, like Clinton, would still effortlessly win international respect and other citizens' respect, and would utterly sincere and concerned of the wisdom of his policies at any given time.

Consider the evidence. In the mid 1980s, when Martin was still in private business, he spent a lot of time pondering the potential effects of a free trade agreement with the United States. Like many Liberals, he was a skeptic—but his reasons were different than most. The company he owned, Canada Secondary Loans, did most of its business in Asia. That is, until Martin joined, was where Canada's economic future lay. The problem with increased trade with the United States, Martin would say, his finger jabbing the air for emphasis, lay in concentrating "all our efforts on one country precisely when the action is shifting away."

Asia, as Martin predicted, has become the world's economic hot spot. Canadian businesses, perhaps because of their penetra-

tion with the United States, were mostly late in realizing that. Still, Canada's trade surplus with the United States has improved markedly since free trade, and Martin, like other Liberals, has long since become a fan of the agreement.

Because of Martin's thirst for new ideas, his policies present a sometimes bewildering series of gaps, gaps and about-faces. The free trade tarantula is one. So, too, is Martin's unrelenting passion for deficit reduction, when he allowed himself to be reluctantly drafted into the finance minister's office by Chrétien after the 1993 election, he had none of the zeal for that task that he has now. He only because a convert after extensive leeching by the finance department.

Martin also was prepared to reverse his stand on the link between a strong job creation and productivity. In his 1986 budget, he reflected his certainty that increased productivity inevitably creates more jobs. That is supposed to be one of the key benefits of technology and an integrated global economy. Later that year, Martin read a book called *The End of Work* by American economic commentator Jeremy Rifkin. In it, the author argued that increased productivity and technological advances actually kill jobs. Martin was deeply impressed—but chafed when no one within his department agreed.

Similarly, the tone of the budget that Martin unveiled last week reveals something of his divided soul. The biggest accomplishment of his fiscal conservatism: the government is on a lower track than ever to ward a balanced budget, perhaps by the year 1998-1999. But Martin's speech and the bawdy nature of the small programs he announced reveal a man consumed of the importance of government in the everyday lives of Canadians. He concluded by discussing the need for Ottawa to invest again in areas including "trade, tourism, small business, rural Canada, youth employment and infrastructure." Never mind that two years ago, the government boasted that it was getting out of the business of taxation. Never said, too, that the society the government is investing is anachronistic, by previous standards. The important thing for Martin is for government to provide direction, and presence.

Even Martin recognizes that at times, the more conservative Chrétien has been wise in rising to his enthusiasm. With the finance minister a puppet on the rise and the Prime Minister's at least tangentially soaring, it is easy for observers to forget that they bring different but complementary qualities. In the wake of their somewhat better 1996 leadership clash, what allies the two men has since mattered more than what divides them. But after the election is over, with the clock ticking more loudly than ever for each man, the real speculation will begin over whether Ottawa is still big enough for both of them.

While not a big spender, he would forever dream of ways in which government could touch the lives of all citizens



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Edited by DANIELA WICKENS

Just what was Edward

For many university graduates, staying in touch with their alma mater means showing up at class reunions or crafting in a donation or two. But those at two U.S. schools have taken giant steps to maintain links—by never leaving sports arenas or health on campus. “We had a list of alumni contacting us and asking couldn’t something be done, that they would like to be buried here,” says Frank Buhman, dean for public relations at Mount Saint Mary’s College and Seminary in Emmansburg, Md. Since its cemetery

opened 15 years ago, about half of the 350 available grave sites have been sold. "For many people," says Behrman, "this comes the closest to being the equivalent of the old family church cemetery." At the University of Virginia in Charlottesville, alumni can pay about \$1,500 to have their ashes stored in one of the 180 niches in a granite vault. Local lawyer Leigh Niedelich, 67, spearheaded the project. "I'm an alumnus who is very close to this university," he explains. "I wanted to be as pragmatic as possible."



Garnett, Brady, says: 'a lot of encouragement'

They have bowed heads, insults, even punches. They have faced rain, snow and bitter cold. But after a year of defiantly flying the Canadian flag every weekday from 6 to 9 a.m. on the steps of City Hall, these Quebec City-area residents are determined to continue a unique patriotic crusade. "We're doing it for the country that we know and love," says Raymond Gierin, 67, a retired army and coast guard aircraft mechanic. Life last year demonstrated Jos Bilodeau, 66, also an army veteran, and Pierre Roy, 55, a naturalized computer technician. Gierin remembers the anger he felt in 1990 when the flagpole was dismantled by the city. Mayor Jean-Paul L'Allier ordered the Canadian flag removed from the central spire at City Hall in reprisal for the failure of the Meech Lake accord.

The three, who use a homemade collar they install on the pole, started flying the Canadian flag in February, 1996, after a local radio talk-show host invited listeners by saying nobody in Quebec City cared enough about Canada to try to raise the mayor to put the flag back. Despite the occasional discussion with local newspaper editors, Bilodeau says he has never been threatened. When Bilodeau was punched in the face and knocked to the ground by a man who tried to tear down their flag, the men have not missed a day and say they are enjoying themselves. "We got some trash and a lot of encouragement from both city residents and tourists," says Roy. They figure their best chance of scoring the Canadian flag flying officially once again at City Hall is if a biller is passed in the next session of the legislature for November. "We're hoping that the next mayor has more dignity and class," says Bilodeau. "If not, we'll just keep coming back."

Since its debut in English in 1985, *Monty Python and the Holy Grail* has become the most famous of the six now-manipulated into a large-scale \$65-million limited production. But according to producer John Sumner, the film's success was not the result of rampant piracy. "It was the fact that it was remade in French," he says. "The original version in *Parade* was not having the 31 cast members alter their accents between English and French performances. Instead, the director chose a French director, and the film was made where French is spoken by *Monty Python*—not Judith Borchardt, played by the state police's chief of police. The film was made in the French language. Now, the British want to sell that spectacle since to forget that it depicts real torture." Audiences are applauding and they're telling us, 'It's their really good'," says Sumner. "The scene still gives me the same feeling. I don't want to give the viewer a good feeling. I want to give Charles VII. I'll have been shown by a director's hopes of taking the show to the



Edward and Dimond being burned at the stake

Hockey and music-making have a long, storied, but hazardous, history in the House of Commons. In 1975, while serving as Minister of the Interior, David Young (elected 1968) was hit by a baseball while playing catch with a friend. He was hospitalized for a few days. In 1978, while serving as Minister of the Environment, David Young was hit by a baseball while playing catch with a friend. He was hospitalized for a few days. In 1980, while serving as Minister of the Environment, David Young was hit by a baseball while playing catch with a friend. He was hospitalized for a few days.

Conner was leader Sam Campbell tried—unintentionally—to deflect others' concern by making jokes in jail about the weight she had gained. Toronto author Terry Poulton, whose recently published book, *Nail Bitch*, decries society's scorn for large women, says it is no accident that female MPs are more likely to gloat about their size than their male colleagues. "It is the only thing that rings right to the heart of most women's insecurities," says Poulton. "It undermines them from the outside."

PACT

- 3 *Alles Was*, Margot Alper (2)
- 3 *Stones of Ashland*, Susan Luchford (1)
- 2 *Tales from Green*, Anne-Marie MacDonald (2)
- 4 *The Unpleasant Mr. Guy*, Guy Vanderhaeghe (2)
- 5 *Beastly Bird*, Patricia Connolly (4)
- 6 *Letter of Mary*, Lucie R. King
- 7 *Adonais*, Michael Cochrane (3)
- 8 *The Sleep Land of the House*, Jeannette Winkler (1)
- 8 *The Tides of Panama*, John R. Gural (2)

NONFICTION

1. *Stone, David & Davis, David* *Footnote*
David Footnote (C)
2. *Simple Accidents, David* *David Footnote* (C)
3. *Personal History, David* *David Footnote* (C)
4. *The Island of the Quilichini, David* *David* (C)
5. *My Design, David* *David Footnote* (C)
6. *See what I See, David* *David* (C)
7. *City Streets, David* *David Footnote* (C)
8. *Angels, David, David* *David* (C)
9. *The Footnote, David* *David* (C)
10. *A Footnote, David* *David* (C)

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One woman's winter

Toronto's documentary producer Kim Estlin's first novel, *Elephant Winter*, focuses on Sophie Walker, a young woman who returns to southern Ontario to care for her dying mother—and who forges a close bond with a herd of elephants, and their keeper, at a residential tourist attraction.

DIANE Soprano **Les Marshall** 73, one of Canada's leading singers in the 1950s and 1960s, of complicitaries in famous exploratory cancer surgery, in Toronto. Although a childless singer, she limited her career on the opera stage, Marshall has considered by many to be one of the greatest vocal artists Canada has produced. When she first started singing she quickly became a favorite of such prominent conductors as Sir Ernest Bloch, Sir Thomas Beecham and Arturo Toscanini. Later, her performances of German lieder and British folk songs became legendary. Marshall, who was named an honorary fellow of the Royal Canadian Society of Music in 1994, received many honors, including the Canadian Music Council's Award of Excellence in 1979.

AWARDED: The \$50,000 Killam prize for lifetime achievement by Canadians in sciences and engineering, to **Stephen Cook** of the University of Toronto, for his work in theories of parallel computing; to **David Hukins**, also of the University of Toronto, for his findings in the biochemistry of muscles; and to **Stephen Haesslein** of the University of Montreal, for his research in organic chemistry.

AWARDED: The Montblanc is a Culture ont of 10 awards the Geneva-based pen manufacturer gives each year to international patrons of the arts. Its Toronto philanthropist **Joey Tanenbaum**, 64, who donated his \$20,400 prize to the Art Gallery of Ontario.

RECUPERATING: Movie star Elizabeth

Taylor, 64, after undergoing surgery in a Los Angeles hospital to remove a benign five-centimeter tumor from her brain just behind and above the left ear.

SETTING: Quarterly Mass Meetings

35, after suffering his L2/L3 concussion in 14 seconds with six teams in the CFL, to become the offensive co-ordinator at Georgia's Valdosta State. Duggan, one of the CFL's most prolific passers, was the only player in league history to lead four different teams to the Grey Cup.

CANCELLED: CBC's weekly musical variety show *Rita & Friends*, hosted by Celine Dion singer Rita MacNeil, 53.



Martin: 'The worst is behind us, the era of cuts is ending'

Canada

Martin's message

The federal budget emphasizes deficit-cutting success

BY JOHN DeMONT and E. KAYE FULLON

At Mecca Toronto, an intrigue is always the special of the day. The signed photographs of past and present Liberal stars on the walls of the fancy downtown Ottawa restaurant serve as constant reminders of the political coup and, as a result, baited as eye when a raucous collection of government MPs gathered there for cocktails, pasta and a healthy dollop of political gossip a few days before Finance Minister Paul Martin tabled his budget last week. Yet even the politicians perked up when a handful of unexpected guests straggled into the room and sat down in a corner. If the Liberals are to return to power, it will be through a campaign supported not by the husband-and-wife team of David and Peggy Cloutier, campaign guru John Rae and the party's national election coordinator David Smith and Colene Hervey-Poyette. Their next presence together at public events are things perfectly clear—it may have been budget week in Ottawa, but election fever was on everyone's minds.

The budget itself may not have been the traditional free-wheeling perfection feast. But by backing off an expensive spending program and by dropping of his last news week earlier, when he announced a 75-percent hike in Canada Pension Plan contributions by 2002, Martin set his party on course to run the next campaign on its conservative, deficit-cutting record. At the same time, the government's modest spending programs were clearly aimed at

the party's traditional supporters—women, minorities and the vote-rich middle class—whose support, according to Liberal polling, has become dangerously soft. And Martin promised that Canada will finally begin to get some payoff for four years of painful demand. "We can see the worst is behind us," he told the House of Commons. "The era of cuts is ending."

For now, though, Martin is clearly gambling that the Liberals can pull off a process in balancing act—wielding a tightrope between restraint and generosity. But will he succeed? The initial response was predictable but not the business community lauded Martin's progress on the deficit: the Reform party said he should have cut taxes, social services and labor leaders maintained he should have spent more to create jobs and shore up social programs.

By and large, though, the post-budget impromptu crowd demonstrates how compared to the internal government battle between the speedsters and the slugs that preceded last week's package. Afterward, the scramble was to take credit for the first gradualist-led out. Party unity was decimated by published reports of claims by Health Minister David Dingwall that he and a cadre of life-minded caucus members had convinced Martin and Prime Minister Jean Chrétien to loosen the purse strings for health care and education. "The god of the man," transferred use of Martin's clout to the by-workweek, a campaign was under way to paint Martin and Chrétien—and not such activist Liberals as Dingwall, Environment Minister Sergio Marchioli, Solicitor General Herb Gray and former de-

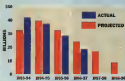
The fiscal facts

BY MARY JANIGAN

The federal Liberals are delighted when few Canadians pay attention to their annual budget. That way, they can trumpet the good news when it suits them—on the hustings. And they can bury the bad news indefinitely. Maclean's presents a short guide to the fiscal facts underlying the 1997-1998 budget.

THE DEFICIT

John McMillin, chief economist of the Royal Bank of Canada, says that the Liberal government has created "the strange phenomenon of a reverse credibility problem": deficits have consistently been lower than they are forecast. Finance Minister Paul Martin counters that he has based his targets on "prudent economic planning." That will explain it, he said, as a one-off savings reserve of \$3 billion in 1997-1998—yet in one something goes wrong. And he says he would rather bet his targets consistently than give away optimistic prospects—and risk the government's hold-over reputation with the financial markets for keeping its word. So far, his course has worked: being a catastrophe, the books will actually balance at the century's end.



Taxes

Reform party leader Preston Manning says that the Martin plan is a "fudge it budget"—one that relies heavily on increasing tax revenues, instead of deeper spending cuts, to reach its deficit targets. He repeats his call for income tax cuts. Martin says he will not deliver big breaks until the books are balanced. Meanwhile, even though the 1997-1998 budget contains no tax increases, revenues are going up, largely because the economy is growing. As well, there has been no adjustment for inflation in the tax brackets, so many taxpayers move into higher tax brackets even if their salary only keeps pace with inflation. The hike from personal income tax will be up by 100 per cent—or \$2.2 billion—from the \$92.8 billion collected last year. Corporate taxes are up 2.5 per

cent—or \$400 million. And the Goods and Services Tax sets an extra 3.6 per cent—or \$600 million.

At the request of Maclean's, David Perry, senior research associate at the Canadian Tax Foundation, calculated the tax burden imposed by Ottawa's personal income tax, Employment Insurance premiums and Canada Pension Plan premiums. It has gone to 10.2 per cent of GDP in 1997-98, 9.9 per cent in 1995. That may not sound like much, but it amounts to a total of \$2 billion—or \$600 for a single taxpayer earning \$30,000. That pain in the pocketbook is real.

Canada Pension Plan

Martin greeted laid Canadians that there were "no new taxes" in his 1997 budget. That was true, but he left the label puppet. In new is growing. Because Canada

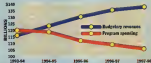
THE DEBT

The amount that Ottawa owes has kept growing—because the government keeps adding its annual deficits to the total. Alberta Premier Ralph Klein wants that Ottawa should be cutting its deficits faster. "I think there is still some room," he says—so that the federal debt, and the interest payments on it, would be lower. Martin counters that his pace has been "deliberate, measured and responsible." The debt itself has gone from \$506 billion in 1993-1994 to \$612 billion in 1997-1998. The crucial measure, however, is its size in relation to the gross domestic product after more than two decades of constant growth, that is starting to decline.



PROGRAM SPENDING

July Darcy, president of the Canadian Union of Public Employees, says that Ottawa has abandoned the unemployed and the poor in its quest to cut costs. "What we have here are big Band-Aids that are being put on gaping wounds," she says. The Scotts, Martin, counters that he could not sign on for hikes in welfare tax books, he would not spending. Now, he is focusing on social cuts or specific programs for those groups, such as education and housing. Still, it is clear that Ottawa has become less of a presence in the lives of Canadians.



Pension Plan premiums—\$14 billion in 1997—were not included in federal programs, they are also not included in the federal budget. But in a skilful sleight of hand on the eve of the federal budget, Martin announced hefty premium increases. Ted Carmichael, head of research at J. P. Morgan Canada, calculates that the changes could impose an estimated payroll tax increase of \$1 billion in 1998—over taking into account a slight drop in Employment Insurance premiums. The CPP increase could add a staggering \$2 billion per year over the following seven years. "This will deepen disposable income and reduce consumer spending," he notes. Taxpayers should hold onto their hats: the maximum employee contribution has gone to \$669 in 1997 from \$663.50 in 1996, and will rise to \$1,666 in 2006.

CANADA

finer minister David C. Martin—as the architects of the \$600-billion health care program, research in universities and hospitals, the \$200-billion program to fight child poverty, the \$275 million in financial support for university students and their parents.

Despite the danger to spend more, Martin could only be praised for his single-minded goal to meet, or exceed, his deficit-reduction targets. In pre-budget meetings last December and January, he argued with Chrétien that no matter how many Canadians were at the meeting, they would not change the Liberal party's strategy of the pre-budget track of a balanced budget by the end of the century. "People are deficit weary," Martin told Chrétien, according to a senior Finance official. "But God help the government that brings this issue back to the table."

The recently released national economy had allowed Ottawa to whittle a further \$3.5-billion off Martin's 1996-1997 deficit target of \$24.3 billion. But even with the unemployment rate slack at what the budget calls "unacceptably high" levels of 9.7 per cent and falling demands for job-creation programs, Martin refused to raise his deficit targets. They remain at \$17 billion for 1997-1998 and \$9 billion for 1998-1999. "I'd just never missed a deficit target, he'd have to resign," said a senior Martin aide. He has stated his credibility as those targets.

Instead, Chrétien and Martin plotted a line between fiscal prudence and new spending that totaled almost \$1 billion in social initiatives and modest job-creation schemes. In the end, Martin's giveaway was modest but strategically aimed at the native at-risk class and the working poor.

• **Child Poverty:** Senior Liberals now admit they blundered badly with a 1993 RxC Health plan that cut \$700 million in a national day care scheme.

Eyes with the budget escape hatch—the program would need the agreement of all the provinces, which Ottawa has failed to secure—the issue still looms as a broken promise. In part to deflect attention from that, Martin last week announced a \$600-million national child benefit system that on July 1, 1998, will direct money to 2.5 million poor children in 1.2 million families. Added to the \$220 million promised in the last budget, Ottawa will now contribute 90 billion a year to alleviate child poverty. Among the measures of the new plan, benefits for a low-income family with two children will increase to \$204 a month from \$232.

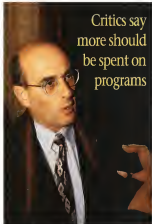
• **Health:** The Liberals may be squabbling over who deserves the credit, but critics say the infusion of \$300 million into health-related programs over the next three years is not a lot to crow about. The National Forum on Health, set up by Chrétien in 1994, recommended in early February that Ottawa expand measures to cover heart care, prescription drugs, a new path for thorough prostate insurance and more prenatal programs. Too expensive, said Martin. But even the latest steps may be no election fodder for anything. In-

stead, Ottawa has created a \$150-million Health Transition Fund to set up projects in the next three years to "experiment" with heart care and drug programs. A further \$50 million was set aside for a national health information system. It could have been worse. Martin was prepared to cut deeper into two century-old social programs that fund local services, including family resource centers and prenatal nutrition programs. But Chrétien insisted on the plea of backbenchers and instead ordered an additional \$300 million beyond current funding for the two programs.

• **Education:** With \$275 million earmarked for students and their parents, Martin aimed squarely at middle-class voters struggling with increasing postsecondary education tuition fees. Among the more popular budget measures ("We're getting tons of mail on this one," said a Martin aide last week) is a plan to allow parents to double their maximum registered education savings plan annual contribution to \$4,000. The changes would also allow unused RESP money to be rolled into registered retirement savings plans. Repayment of student loans, due in the past within 18 months, has been stretched to three years, with Ottawa picking up the late rent tab at a cost of \$20 million a year. Students also get a break with living costs: the budget increases the education tax credit from \$400 a month to \$150 in 1997 and \$200 in 1998.

• **Infrastructure:** The budget created an \$800-million Canada Foundation for Innovation to improve research facilities at universities, colleges and hospitals that have been hard hit by budget cutbacks. Martin and Chrétien worked on this budget compromise under such secrecy that not even cabinet was told of the details. In fact, Industry Minister John Manley, a longtime promoter of enriched funds for high-tech research, knew nothing of a backchannel play to pay for the program out of 2000 revenues rather than stretch the payments over the life of the five-year project. "The only way to make this work as a long-term economic program," said a Martin aide, "was to take the money out and put it into an arm's-length agency," protecting it from any future fiscal pressures. That maneuver also safeguards the program as a paid-for election ploy.

With the Liberals at 41 per cent in popular opinion polls, compared with 34 per cent for the second place Conservatives, such precautions may seem unnecessary. But there are troubling questions on the horizon. After less than four years in power, the party's internal polling indicates, the Liberals have managed to attract affluent, fiscally conservative voters who support the government's anti-deficit task. Now, with the deficit nearly halved, strategists are asking how the party can continue to hold them. Meanwhile, the polls also suggest that traditional Liberal supporters are starting to tire of the deficit-fighting message. "The party needs to show its compass," stresses Liberal pollster Michael Macdonald, president of Toronto-based POLARA. The question is whether the parsimonious hand-out in last week's budget are enough to prove the Liberals care. □



Ongrowth as internal battle between the spenders and the slashers

Critics say more should be spent on programs



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The secret Gardens

**Charges of abuse taint
Toronto's hockey shrine**

Fresh off a tour of Maple Leaf Gardens, a group of excited Grade 5 and 6 students from suburban Toronto swarmed the hockey shrine's souvenir shop. They lined up and gazed at the prices at the home team's blue-and-white jersey. But just west the mascot cheer of young Leaf-lovers seemed more chilling than cheerful. Only minutes after teachers had shepherd the kids onto a visiting school bus, grown-faced Maple Leafs' president Cliff Fletcher met reporters in the Gardens lobby to address allegations that a map of pedophiles sprayed at the arena in the mid-1970s and early 1980s. The stinging revelations came after Toronto police charged 45-year-old Gordon Stockless, a former partner Gardens employee, with indecent assault and gross indecency. The arrest prompted a flood of telephone calls, leading police to suspect there may be as many as two dozen other victims. "It's despicable," Fletcher said. "It's the lowest form of human behavior."

Woe is hockey. First came the January conviction of former Swift Current Broncos coach Graham James for sexually assaulting two of his teenage players in the 1980s. Then last week, police described the Gardens—the 66-year-old icon of Canada's national game—as home to a covert group of sexual predators whose access to the arena enabled them to lure young, starry-eyed fans. According to police, Stockless, long-time Toronto Marlboros equipment manager George Blumsh (who died in 1984) and John Paul Robey, 54, a part-time insider who had worked at the Gardens for 25 years, sexually assaulted the boys between 1973 and 1984, sometimes in Gardens utility rooms and mascot offices. Martin Kruse, the 34-year-old Toronto native who sparked the investigation, told police in January that at age 13 he had been coerced into having sex with Blumsh and others after accepting free tickets to games and concerts. "Maple Leaf Gardens was a sex haven of abused boys, tons of them," Kruse told reporters. "They would lay down Blumsh and they would get up and ask me to have group sex."



Kruse (right), Fletcher (right): 'It's the lowest form of human behavior'



The alleged assaults occurred when Maple Leaf Gardens Ltd. was owned by Harold Ballard, who lived in an apartment in the building and ran the company with only a skeleton staff and almost no security. "You could walk in all the street right up to Mr. Ballard's office if you looked like you knew what you were doing," Gardens spokesman Bob Strickland recalled last week. At the time, there were also more kids in the building: The Leafs owned the major-junior Toronto Marlboros and sponsored several minor hockey teams that practiced at the Gardens. Ballard, who in 1972 was sentenced to three years in prison for fraud and theft, the served one year, often behind ex-courts and others who could not find jobs anywhere else. En staffers tell sources of

workers trading tickets for booze, and off late night drinking parties in the maintenance rooms. "The place was full of older, single men," said one ex-employee. "I know it wasn't strange now, but George Blumsh was the vice guy, I was shocked when I read about this."

Last week, current Leafs owner Steve Stavro offered no public comment on a crucial question: why didn't the club report Kruse's allegations to the police in 1993? It was then that Kruse launched a civil suit against the company that owns the Gardens, seeking compensation for the repeated sexual assaults he says he suffered between 1973 and 1980. And Kruse claims he offered to help the Leafs identify other offenders in the organization, but was rebuffed.

Fletcher—speaking for his boss—says Kruse earned Blumsh as the only perpetrator and after an investigation by the Gardens' insurance company, the suit was settled out of court for \$60,000. "After the settlement was made, there was a confidentiality agreement," Fletcher said. "Mr. Kruse chose the route he wanted to go. He retained legal counsel and, for whatever reason, chose not to go to the police."

Kruse says it was the example of St. John Kennedy, the Boston Bruins who went public with his story of abuse at the hands of Graham James, that emboldened him to break the confidentiality agreement and talk to police and the media. Police and the dozens of calls they received after charging Stockless did not all concern reports of abuse at the Gardens. Stockless, who was on probation for a previous sexual assault conviction when he was hired last week, had coached minor hockey and once worked as a public-school teaching assistant. Fletcher, meanwhile, insisted that with approved security and a no-tolerance sexual harassment policy, the human at large by Kruse "could not happen" at the Gardens today. What has Canadian media is the possibility that they happened at all.

JAMES DEACON

THERE'S A SMALL TOWN

in Maine where going barefoot

is practically against the law.



Below: The Dexter Dexter

Up in Dexter, Maine, there is no subway. Not even a bus. But no one seems to mind walking (cause you meet people better that way). This is a place where three generations of family have crafted shoes, so they've become extremely particular about what they put onto their feet. And the folks of Dexter have always viewed going barefoot as an act of disrespect. Though we are told town records have yet to show anyone being arrested for it.

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HIBERNIA RISING

Will offshore oil help to revive the Rock?

BY BRIAN BERGMAN

John Cabot could never have imagined anything like this. When the Anglo Italian explorer arrived at the Grand Banks in 1497, the schools of codfish were so thick they literally stopped his ships in the water. It was a wonder of the age. Fishermen flocked to the Grand Banks, and England laid claim to the "New Found Land" beyond them. Now, as Newfoundlanders mark the 500th anniversary of Cabot's voyage, the cod are mostly gone, and a vessel of quite a different ilk is needed for the same waters—this time in pursuit of oil riches trapped in rock formations more than 3,700 m below the sea.

The \$5.8 billion Hibernia offshore oil platform—one of the largest and most expensive production rigs in the world—is scheduled to arrive in the *Jeune d'Arc Basin* near the Grand Banks in early June. This week, weather permitting, the project will mark a crucial turning point, as the two major components of the platform perform a delicate sub-water mating ritual—the culmination of a six-year long construction marathon (ENR 3/8 p. 38). And as with Cabot's voyage half a millennium ago, others are set to follow. Already, there are plans to develop two more major oil discoveries in the *Jeune d'Arc Basin*—the *Terra Nova* and *Whitewater Fields*—shortly after the turn of the century. Those will add significantly to the 665 million barrels of oil that Hibernia is expected to pump out over its 20-year lifespan. At the same time, what seems destined to become the world's largest nickel mining operation should be under way at Vasey's Bay, Labrador, providing at least 1,600 jobs and new royalty wealth to the province. The recent flurry of resource activity is even fueling the sentiment that maybe—just maybe—the perpetual hard-luck province is about to get a break. "There's a growing bubble of confidence," says Newfoundland Premier Brian Tobin, "that this time we're going to make the most of it."

This being Newfoundland, however, there is also a lurking suspicion that something or someone will come along to burst that bubble. "There seems to be a very unbalanced attitude," says Bill Rowe, a longtime provincial cabinet minister and host of the province's most popular op-ed-line radio show. "On the one hand, people say, 'Oh, finally, we're going to arrive economically.' On the other, there seems to be a dire pessimism and cynicism that we're not going to get anything like our past rewards." In a state

The sinking rig marking a delicate sub-water mating ritual

he tells Wade Lakin, an economist at Memorial University in St. John's, ticks off several reasons why there should be better days ahead for Newfoundland, but then quickly adds, "We can't always do things to serve it up. That's always a possibility."

Newfoundlanders have learned to live a little less grand. After generations of watching their fortunes rise and fall with the price fetched for fish, crabs, minerals and hydro power, they're more wary of anything that looks like better than the next big bust. Memories of past disappointments are simply too fresh. In the 1970s, there was the Come By Chance oil refinery, the brainchild of New York City promoter John Shoen. The project sank millions into the poorly conceived project before suddenly went bankrupt and closed the refinery eventually triggered under new management in 1987. In the 1980s, there was the saga of the Ingoton greenhouse, an attempt to transplant hydroponic growing techniques to the island. It was bedeviled by production problems, including a lighting system designed to compensate for the cloudy weather that instead caused cancer to grow out of control, crushing tables and wasting support cables. By the time the greenhouse wing into membership, taxpayers had lost more than \$20 million.

But these blunders pale beside the enduring bitterness over the 1989 agreement that allowed Hydro Quebec to buy power generated from Churchill Falls, Labrador, with no price review for 10 years. Events quickly conspired to give Quebec a \$1-billion-dollar windfall while Newfoundland made do with ever-shrinking profits. Last fall, Tobin launched a cross-Canada public relations offensive aimed at shaking Quebec into reopining the deal. The rhetoric cooled after discussions took place between Tobin and Quebec Premier Jacques Parizeau during his recent visit to the Tobin trade mission to Asia. Senior officials of both governments are now engaged in preliminary talks aimed at resolving the dispute and paving the way for developing new hydroelectric sites in Labrador.

Meagre prospects notwithstanding, there is a growing recognition among Newfoundlanders that no single development, however grandiose, is going to bring their economic woes. Officially, the province's unemployment rate stands at 30 per cent—the highest in the nation. Unofficially, it is much higher as the 1992 moratorium on the northern cod fishery—which instantly threw more than 30,000 fishermen and fish plant workers out of jobs—continues to cast a pall over the 800 communities that dot the coastline. Newfoundland still relies on \$1 billion a year in equalization payments from Ottawa. And as other federal income payments are reduced, the provincial government's funds must increasingly be pared down to provide basics such as health care, education and social maintenance.

Yet for all that, there is little doubt that the recent resource industry is chipping away at the gloom. For one thing, Hibernia has all ready injected an estimated \$2.8 billion in direct investment into the

'We can always do things to screw it up'

province, provided up to 5000 construction jobs and given a number of Newfoundland engineering and high-tech firms a shot of hope. Jerry Bishop, president of BFL Consultants Ltd. of St. John's, says that without Hibernia, his engineering firm would still have a staff of perhaps 25 people scrambling to cope with the few major capital projects that come along. Instead, he says, BFL now employs 60 people and is using the expertise gained through Hibernia to compete for work at Voisey's Bay and Nova Scotia's Seabird Island gas refinery. "You can have all the staff and talent you like, but it's no good unless you have the opportunity," says Bishop. "With, finally in Atlantic Canada, we can look forward to some big opportunities."

Serious optimism can be found in Amulet's Cove, a fishing community of about 1,500 located 30 km west of Hibernia's third-area construction site. Residents are now pressing hopes for new jobs on two imminent developments—the \$250-million facility for shipping Hibernia crude that is to be built five kilometers north of Amulet's

Voisey's Bay showdown

Simon Thakapoph has always hunted for his winter food. Nearly every weekend, he travels by snowmobile from his home in Davis Inlet, 300 km north of Goose Bay, Labrador, deep into the forest where he hunts for partridge and caribou. The hunting has been good this winter, but Thakapoph worries that the animals may disappear when a pipeline here is blasted out of the rock at Voisey's Bay, only 70 km north of his home. It was there in 1993 that two prospectors, working for Vancouver mining prospector Robert Prentiss, discovered a massive nickel deposit. In 1996, Toronto-based Inco Ltd. paid \$4.3 billion for the property, and the company wants to have a mine operating at the site by the end of the century. But before the project goes ahead, the Inuit and Innu people of the region want Ottawa and Newfoundland to sign a comprehensive land-claim agreement that recognizes their ownership of the region and ensures that they receive a share of the profits from the mine. Without a deal, says Thakapoph, an Innu negotiator, they are determined to stop the development. "It's our land," he says. "They can't just take it."

With the discovery of a 19th-century gold mine overlooking the Innu, it could be extremely difficult to put it off indefinitely this year. An Inuit village of 1,200 people, 35 km northeast of Voisey's Bay, is booming. Rents have soared and helicopters ferrying prospectors buzz over the town. At the mining site, about 100 employees of Voisey's Bay Nickel Ltd., a wholly owned subsidiary of Inco, are camped out in tents where the company intends to build a massive open-pit operation. If all goes according to plan, the mine will eventually employ about 500 people, and a smelter and refinery will provide work for another 500 people at Argentina on Newfoundland's southeast coast. In all, the project is expected to cost about \$2 billion to construct and will produce more than 135,000 tonnes of nickel a year.

With so much wealth being blasted out of the ground, representatives of the region and others that they receive a share of the profits from the mine. Last summer, government negotiators and native representatives signed an accord that they hoped would lead to a resolution of the land claims, which cover virtually all of Labrador. It commits both

**Best (left):
observed welder
(below): 'We
have to look at
our resources'**

Cove, and the \$1.5-billion Voisey's Bay nickel smelter and refinery slated for Argentina, 60 km south of the zone. "People are generally upbeat," says Amulet's Cove Mayor "Ivan Ochocka. "There are more positive happenings in the province than there has been for quite some time." But even here, the old Newfoundland skepticism creeps in. "People tend to be a little apprehensive at times and wonder if it's all real," allows Ochocka. "But of course we know that it is. It's just a matter of waiting for things to happen."

Certainly, Newfoundlanders had to wait long enough for Hibernia—all the while wondering as the project lurched from crisis to crisis, if it would ever come to pass. Chevron Canada Resources Ltd. drilled the first hole in the huge offshore field in 1979. But financing of projects in the 1980s and the high costs of extracting the offshore crude meant that it took another 15 years of haggling before four oil giants—Mobil Oil Canada Ltd., Chevron, Petro-Canada and Gulf Canada Resources Ltd.—agreed to sign an agreement to exploit the reserve. Even then, it required a number of government concessions. Newfoundland agreed to reduce its royalty take in exchange for new jobs. And the former Conservative government in Ottawa coughed up \$1 billion in grants and another \$1.1 billion in oil guaranteed loans. But it was still too little and too late. The project was 10 years behind schedule. Much of the blame lay with underestimation complications in constructing Hibernia's massive gravity-base structures, which is to anchor the platform to the ocean floor. The choice of a gravity base, rather than a much cheaper floating platform, had long been controversial. Newfoundland had pushed for the gravity base, partly for safety reasons, but also because of the number of construction jobs it would create. By contrast, Petro-Canada will use a \$300-million floating platform to drill for the 400 million barrels of oil in the Terra Nova field.

For all its past woes, most financial analysts have concluded the likelihood will be that Voisey's Bay will be a success. Even project that Chevron supporters will see a return on

usually provided, but the government delayed the legislation confirming the Hibernia agreement for several months to give Quebec \$2% take to co-off.

Crobie also became embroiled in the next setback to hit Hibernia—Gulf's decision, in February 1992, to withdraw its 25-per-cent stake in the project. After years, Gulf agreed to do what it had and it would sever, and assumed an 85-per-cent equity position in Hibernia, at a further cost of \$260 million. Chevron and Mobil took back on another 10 per cent, while a new partner, Murphy Oil Corp., assumed the remaining 65 per cent. By this point, says Crobie, Canadians were tired of talking up Newfoundland. They had only one complaint: Crobie had looked at \$1 billion for fishermen affected by the cod moratorium. "The feeling was that the rate Hibernia found leaders had gotten enough," says Crobie. "We were no longer looked upon as so interesting any more."

The setbacks for Hibernia were not over yet. In the spring of 1994, the province's oil companies were told that they had to live on their budget and one year behind schedule. Much of the blame lay with underestimation complications in constructing Hibernia's massive gravity-base structures, which is to anchor the platform to the ocean floor. The choice of a gravity base, rather than a much cheaper floating platform, had long been controversial. Newfoundland had pushed for the gravity base, partly for safety reasons, but also because of the number of construction jobs it would create. By contrast, Petro-Canada will use a \$300-million floating platform to drill for the 400 million barrels of oil in the Terra Nova field.

For all its past woes, most financial analysts have concluded the likelihood will be that Voisey's Bay will be a success. Even project that Chevron supporters will see a return on

sides to finding an agreement on ownership of the land, environmental protection, job creation for natives and royalties on profits. Chester Anderson, a consultant working for the Labrador Inuit Association, said active leaders are under growing pressure from their own people to resolve the impasse. "A lot of people are looking for jobs," said Anderson.

Whatever the outcome, Voisey's Bay is determined to get revenues flowing sooner rather than later. Company vice-president Rex G44 said that, even without an agreement, Voisey will be in a legal position to proceed with the mine in



1998, when an environmental study of the project has been completed. And while Newfoundland Premier Jesse Tobin refused to discuss the standoff with Inuit leaders, he insisted that the native demands could be accommodated. "In terms of the agreement between all the players," predicted Tobin, "Voisey's Bay should be a model for Canada to build the native community has a solid deal, they are unlikely to share that opinion."

TOM FENNEL

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SPECIAL REPORT

their holy investment. "The economics of oil projects have been around for a number of years," says Duncan Matheson, an oil and gas analyst at Gordon Capital in Toronto. "But just trying to make people believe that is a challenge."

When former Newfoundland premier Joey Smallwood began writing the Churchill Falls paper in the 1950s he described it as "a grand imperial concept." These days, Newfoundland politicians know better than to raise expectations too high. And so when the province's energy minister, Rex Gibbons, is asked in an interview if the rapid succession of Hibernia, Terra Nova, White Rose, and Vosey's Bay represent a new "mantra" for the Newfoundland economy, he responds as if he has been urged to utter an obscenity. "Oh, I would not even use that word," replies Gibbons. "That is just the development of another sector."

Indeed, the buzzword in St. John's is not that it has been heard for at least a decade now: diversification. Unless the province can wean itself from its historical dependence on natural resources and federal transfers, the argument goes, it is doomed to feed the hungry. A new slogan at Memorial University recently ended its year-end celebration of the 100th anniversary of the province's entry into the Canadian Confederation: a body set up to study ways of diversifying the economy. Among other things the commission engaged regional planners to promote the province's good place to stand. The main thing, says Housie, "is to get out the message that there is a lot more to Newfoundland than fish and cod and absurd claims at Mount Cassid."

Housie adds that, as welcome as they are, the 800 permanent jobs that Hibernia provides for the 1,400 permanent jobs that Vosey's Bay, are "a drop in the bucket compared to what is needed." Much more must be done, he says, to build on the success Newfoundland has already enjoyed in emerging fields such as marine technology, aquaculture and telecommunications. Housie points to the example of Derek Rowe, a young St. John's native who has built Santos Global Corp. over the past decade into a leading provider of satellite communications.

Rowe, whose company has several international offices, says that distance from main-

ports is not an obstacle in the high-tech sector. And it surely makes economic sense, he adds, to keep his head office near St. John's, where property prices are low, wages are competitive and the university provides a steady stream of highly graduates. "If we have any smart people working here, we'll be rewarded," says Rowe. "You don't, we'll pay the consequences."

But not everyone is qualified to work in the high tech field—or, for that matter, for one of the major resource companies. And among those in Newfoundland's oldest industry—the fishery—there are concerns that the times are passing them by. Tom Blesie, a fisherman from Petty Harbour near St. John's, says that not nearly enough in-



The base of the rig: a lot more in the province than fish and cod

ing done to prepare for when the cod fishery reopens as a healthy basis. Like most oil workers, Blesie expects that fewer fish will mean lower jobs—especially for those who used to work in dozens of fish plants in the smaller communities. "Four years into a restoration," he warns, "there's been no serious discussions about how we are going to fish in the future and who is going to get priority."

Politicians, says Blesie, are focusing far too much on resource mismanagement, at the expense of the industry that helped create Newfoundland. "We have to look at our renewable resources, rather than the ones that get extracted for the benefit of a small group of people for a short period of time," he says. "There's a lot of people who will suffer for this and a lot of communities that will die." Similar warnings have been sounded for generations in Newfoundland. And no amount of bullishness about oil and gas and nickel is likely to still those voices now. □

SPECIAL REPORT

SLOW AND STEADY



Tobin: "It isn't any one project that's going to be the solution"

Andrew Tobin recently marked the first anniversary of his election as premier of Newfoundland and Labrador following a calamitous 16-year stint as federal public servant. During those years as the minister of fisheries, he returned to his home province at a time when Newfoundland was still reeling from the nearly five-year-long moratorium on the northern cod fishery. His own government has added to the ranks of the jobless, losing 550 rural jobs in the past year on part of a cod-moratorium campaign. But with the knowledge of the Hibernia offshore oil rig and recent massive mineral discoveries at Hibernia Bay, Labrador, there is some potential relief on the horizon. Maclean's Atlantic Bureau Chief Brian Branson speaks with Tobin at his office in St. John's, Acropolis.

Maclean's: You've been fairly careful not to overplay the impact that Hibernia will have on the province. Why is that?
Tobin: Newfoundland has a long history of getting attracted to big, singular projects and looking to those as the salvation of the province. One of our government's objectives is to branch away from that mentality. We have to realize that it's not any one large project that's going to be the solution, but rather creating industries that are self-sustaining over a longer period. That's the focus for us, not Hibernia.
Maclean's: Do you foresee a new wave of Newfoundland will be a huge success?
Tobin: Yes, I do foresee such a time. But it is at least a decade away. You have to remember that the disparity in terms of in-

come, standard of living and quality of services between Newfoundland and the rest of the country is still quite dramatic. But also remember something else: when we start sharing in the resource revenues, we're caught in this trap called equalization. It's a wonderful trap—we couldn't exist without it—but it makes things difficult. We start making revenue dollars and we start losing equalization dollars and the net effect for the provincial government is less very marginal improvement. At this point, we're still receiving a billion dollars a year in equalization payments. So we're still going to be an before we can stand on our own two feet. But that's precisely where we want to be.

Maclean's: The province has been trying for years to wean itself from dependency on natural resources, whether it's fish, forest or oil. Can it do so now?

Tobin: If all we do is develop how big oil and gas wells and—as a model how big oil and gas wells—now mines, then the cycle of dependency will not be broken. What we need to do is grow the tourism sector, continue to grow the information, technology sector, promote aquaculture. Those are all areas where wealth can be created and employment expanded.

Maclean's: Even at the height of Hibernia, when there were 5,000 new construction jobs in the go, record numbers of people fled Newfoundland for other parts of the country. Why is that?

Tobin: It's directly attributable to the collapse of the fishery. Canadians have to appreciate that this was the equivalent of the collapse of the entire auto sector in Detroit. That's what we've had to adjust to. It is huge. Now, I happen to think one of the great things about Canada is that our young people have the opportunity, should they choose to exercise it, to work and live elsewhere. I don't think that's a sign of failure. But what I want here is an economy that, it seems highly skilled young people away, it's because they choose to live and work somewhere else. That's not the case now. They are going because they are compelled to do so. □

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The Hibernia rig is an engineering wonder

On a crisp, clear mid-February afternoon, the mechanical colossus—the so-called tapscud (the Hibernia drilling rig)—lowers over the shimmering waters of Newfoundland's Bull Arm, just around the bend, hidden by snow-draped rocks and trees, into weather engineering wonder—a 280,000-tonne concrete-and-steel behemoth with the even more gigantic designation of "the gravity-based structure," or GBS, that will anchor the tapscud to the ocean floor. The making of the top and bottom of the Hibernia rig, scheduled to take place this week, marks the commencement of six years of engineering and construction that, at its height, employed more than 5,000 people working on three different continents. "I don't think," says Hibernia's construction general manager Brian van Zante, "that a more complicated civil construction project will ever be built."

Even in a long time. But there is no doubt that the \$1.6-billion Hibernia platform is in a class of its own. Much of the project's complexity—and cost—is directly attributable to the ocean's decision to act for a huge concrete platform that will remain locked in place over the 30-year life of the drilling operation. Moreover, Hibernia will be drilling for oil off the Grand Banks, an area famous for wind, fog, 30-in waves—and, of course, icebergs. The platform is to be packed 200 km north of where a giant berg struck and sank the Titanic in 1912, in a shoal that is often called "Iceberg Alley." If Hibernia is to function safely, explains David Fisher, engineering manager for the GBS, it must be able to absorb an iceberg's impact, which he likens to "600 automobiles pushing up against a nine-square-metre area of space."

There are about 20 gravity-based offshore platforms operating worldwide, most of them in the North Sea. But Hibernia is the first to be constructed with the three rotating legs in mind. Its chief defence will be an outer wall consisting of 36 concrete walls, each one 1.5-m thick, that are meant to distribute the force of the iceberg over the entire structure. According to its designers, the platform could withstand bergs of up to six million tonnes. And because Hibernia will be located in relatively shallow water—80 m deep—they calculate that intruders of that magnitude should only show up once every 10,000 years. Impressive odds, but University of Toronto engineering professor Michael Collins cautions that "building a submersible" it may only occur once every 100 years, he adds, "but that doesn't mean it couldn't happen next year." Having said that, Collins, who is in a leading authority on gravity-based plat-



The lane of the rig. I think that a more complex project will ever be built.

forms, says that Hibernia is "as safe as any comparable structure in the world."

But nothing about Hibernia, it seems, was done on a modest scale—starting with its main 1,600-tonne construction site at Bull Arm, 130 km northwest of St. John's. Prior to 1993, this was just another picturesque pocket of Atlantic Canada—sacred rocks, wind-blown trees, undisturbed waters. But then the bulldozers and dynamite crews moved in, clearing the way for 16 km of paved roads connecting Bull Arm to the Trans-Canada Highway and a construction camp that included accommodations for 3,500 workers. A small community soon sprang up, complete with a water and sewage plant, school, hospital, library, just off-site—and a heliport landing pad.

The next step was to create a dry dock for the GBS by erecting a berm across Great Monks Cove and pumping out 145 million litres of water. About six kilometres to the north, a pier was built for the tapscud's facilities. Near the pier, workers drained a small lake to make room for a habitation yard, as part of an attempt to protect the environment; some 200 trout were caught in nets and moved to neighbouring ponds.

Construction of the GBS began in September, 1992. Two years later, the base of the GBS—the length at two football fields and weighing 130,000 tonnes—was ready to be moved to its present site, about a mile offshore, where the water is 200 m deep. The plan was straightforward: water would be pumped into the dry dock and, at a certain point, the berm on Great Monks Cove would be removed. As the water pressure rose, the GBS would begin to float. It would then be towed out to the deeper waters of Bull Arm and anchored in place with six kilometers' worth of mooring chains. At this point, says van Zante, some of his corporate masters were expressing doubts, usually in something as innocuous as "Not only did it do so, but it started to rise within four centimetres of the level engineers had predicted."

Over the GBS was secured at the deeper waters, workers had continued to pour concrete and reinforcing steel into the mould until it reached its full 85-m height. During that period, as many as 2,000 workers were being ferried out to the construction site every day, while up to 40 barges circled the ever-expanding GBS. The barges included floating bulk plants where the concrete was mixed, a power barge and another one holding 500 tonnes. "It was quite a floating city out there," recalls van Zante.

As the massive base of the Hibernia platform was being fastened, the pieces that would make up the even taller tapscud began to arrive for assembly at the nearby pier. The tapscud consists of five superstacks—two of them built in Korea, two others in Italy and the fifth one at Bull Arm—that contain all of the drilling, production and power equipment, as well as the living quarters for the 280 workers who will operate the offshore platform on a 24-hour basis. It also includes the drilling derrick, the 115-m-long three-boom that will turn off gas released during drilling, two liftboat stations, and a helidock that will be used for shuttling workers to and from St. John's for their three-week shifts.

The tapscud pieces were all welded together at Bull Arm, the result is now perched on the pier, looking like nothing so much as a rusty, rusted space station carelessly plopped down in the stark landscape of coastal Newfoundland.



land. This week, if the weather co-operates, two heavy-lift barges will carry the tapscud over to the GBS, which has already been gradually submerged. This was done by opening up an underwater valve and pumping seawater into the structure to weigh it down. With only six metres of the GBS's uppermost shafts remaining above the water, the tapscud will be floated over it. When the two structures are precisely lined up, workers will begin to pump the water out of the GBS, which will then lift and connect to the tapscud. Once mated, the entire structure will stand 224 m tall—roughly the height of the Calgary Tower and half the height of Toronto's CN Tower.

The mating operation, which will take five days to complete, is extremely delicate—Collins describes it as "almost like weaving; you need a very specific pattern to fit them together." And the final steps would not do so always go off without a hitch. In 1991, a gravity-based structure owned by Statoil, the Norwegian government oil company, collapsed under the pressure of being submerged in the North Sea and left 100 tonnes in the ocean floor. But if he was worried about such mishaps, van Zante had it well under an eye: new shortly before the Hibernia mating began. When asked what could go wrong, he smiled. "Nothing could go wrong," he replied. "We have worked hard to make sure nothing goes wrong."

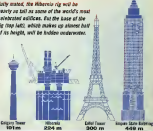
If van Zante's confidence proves well-founded, the Hibernia rig will be towed out to its drilling site by nine of the world's largest tugboats in May or early June. There, 400,000 tonnes of iron ore ballast will be dumped into the outer wall of the GBS to sink it to the ocean floor. The platform, then weighing a total of 1.2 million tonnes, will soon begin drilling up to 220,000 barrels of oil a day, thereby fulfilling a quest that began when the Hibernia offshore field was first discovered in 1970.

For the Dutch-born van Zante, who helped to build three earlier gravity-based platforms in the North Sea, Hibernia will be a once-in-a-lifetime project. He plans to retire in April at age 63, although he will stay on contract until drilling commences. At that point, he expects to feel much as he did when helicopter finally whisked him away from those other massive offshore rigs. "Everyone is saying, 'Oh, it's tremendous, magnificent,'" he says. "But then the chopper lifts off and you have to be fast to look back, because in a couple of minutes, even though the platform is so big, it's nothing in the expanse of the ocean." And that, he adds, "brings you back to reality in a huge way very quickly."

BRIAN BERGMAN at Bull Arm

An offshore skyscraper

Fully stated, the Hibernia rig will be nearly as tall as some of the world's most celebrated edifices. But the base of the rig (top left), which makes up almost half of its height, will be hidden underwater.



Deng's death will mean new struggles in Beijing

BY CHRIS WOOD

The legacy of a giant

It matters not what color the coat. Deng Xiaoping has rarely observed it matters only whether it catches fire. With that aphorism, Deng launched Communist China on a wholesale retreat from the doctrine Mao set of his founding leader, Mao Tse-tung, and set it on a new path towards a free-market economy. And like a cat, Deng seemed blessed with multiple lives: he survived repeated jumps during his remarkable career before emerging in 1978 as Mao's clear successor—China's paramount leader. But last week, the durable Deng's lives finally ran out. And with his death at 89 of complications arising from Parkinson's disease and a lung infection, the country that Deng helped set on a new course entered a period of uncertainty unmatched since Mao's own demise.

Thanks largely to the success of Deng's reforms, China is unlikely, at least in the short term, to see the same kind of sharp change of radical direction that accompanied Mao's successors. Old rules at least, Deng's death changes nothing. He abdicated all his formal party and government positions in 1989 and successors are already in place, led by President Jiang Zemin, 70, and Premier Li Peng, 68. But his second five-year term expires next year, and Jiang's performance may be somewhat off: in 1993 he has underwhelmed most political observers. "Down the line, there will be challenges," predicts Nina Halpern, a political scientist at the University of British Columbia's Institute of Asian Research. "By no means is the succession struggle over."

Yet it is a measure of how much China changed under Deng that his passing could so little influence on the surface of Chinese life. When Mao died in 1976,



Jiang visits a village in the countryside; the president is likely to face leadership challenges.

people went in the street while the country descended into political chaos. The death of former Communist party chairman Hu Yaobang in April, 1989, provoked the euphoria for pro-democracy students to begin gathering in Tiananmen Square, with tragic consequences when Deng's military later cracked down. But there was an almost eerie serenity to life in the capital after authorities announced the leader's death early Wednesday morning, nearly six hours after the fact. Although flags flew at half-mast, shops, banks, government agencies and parks continued open. Television stations stuck to their schedules of sports, movies and game shows while adding a film on Deng's early years. Western pop music could still be heard on several radio stations. And there was no sign of an expected police or military buildup on the streets of Beijing—a sign of mass public grief.

"It's much different than when Mao died and people stopped in the streets and bowed their heads," said Yang Huanzeng, a 49-year-old accountant. "Times are different now. We have a better understanding of what's going on. Deng has not held any position for

leader as a "political" figure in Chinese history. But Chinese said he had raised feelings about him because of his human rights record. In any case, world leaders were not invited to Deng's memorial service, set for Tuesday at the close of a six-day mourning period. Authorities said it would be a low-key affair attended by 10,000 people in the Great Hall of the People, with no lying in state. Deng's widow and children sent a letter to Jiang, chairman of the funeral committee, saying Deng wanted to donate his corpse to an eye bank, give his organs to medical research and have his body's ashes scattered at sea.

It would be a thoroughly simple and practical end for a man who devoted his life to politics but eschewed the pomp and ceremony of office. Born Deng Xiaoping in 1904, in the central Chinese province of Sichuan, he was the son of a modestly well-off local factory manager. Later rising after founding fathers of Chinese communism, Deng studied abroad, in France and Moscow, and returned to his home land in 1928 as a member of the Communist party and took up the fight against the Nationalist government of Chiang Kai-shek. It was while

COMEBACK KING

1904: China's future leader is born Deng Xiaoping on Aug. 22 in Paofang, a village in the province of Sichuan where his parents run a silk factory.

1920: Deng is sent on a work-study program to Paris and spends time in a Renault factory. He soon joins the Chinese Communist youth movement in France.

1928: He moves to Moscow to attend Sun Yat-sen University, where the Soviets have established to train Chinese Communists.

1929: Deng returns to China, joins the

Communist party and adopts the nom de guerre Deng Xiaoping. He is told to organize against a army **1942:** Now editor of the Communist Red Star newspaper, Deng takes part in the Long March, a 10,000-mile trek that the Red Army undertakes to escape rival Nationalist forces. He becomes a key ally of Mao Zedong, who has emerged as the Communist chief.

1949: Mao finally declares the Nationalists and assumes power. Deng is placed in charge of the Third Line Project, an ambitious plan to build roads, factories and railways across China.

1952: Deng is named vice premier.

1956: Mao launches the Great Leap Forward, under which China's rural population is organized into communes. Deng criticizes the program.

1959: Amid the fever of the Cultural Revolution, Mao attacks Deng's pragmatism, strips him of power and banishes him to the provincial capital Nanchang.

1973: Deng apologizes to Mao and world leaders are shocked when Deng is introduced at a state dinner as vice-premier.

1976: Under pressure from the leftist Gang of Four, Deng is again stripped of power. But following Mao's death in September, all four are arrested.

1977: Deng is reinstated vice-premier.

1979: He emerges as China's paramount leader and launches the Four Modernizations, liberal economic reforms that will transform the country.

1981: Deng assumes the chairmanship of the Communist Party's military commission, a key lever of his power.

1986: He supports the use of troops to crush a rebellion of students in Tiananmen Square.

1989: Deng begins to drop from sight, resigning posts including head of the military commission.

1993: Rumors circulate that he is gravely ill.

1994: After looking Deng makes his last public appearance at a party function in February

Reform led to 'a huge perceived moral vacuum in China'

Being underground fermenting revolution in Shanghai that he initiated the 1989 Tiananmen protests. Initially an ally, a veteran of the 1959-1960 Long March, a torchbearer of Chinese revolutionary mythology and political strategy, Deng's star quickly faded. The Communist central power in 1989. By 1995, he was a leading member of the all-powerful Politburo and later became party general secretary.

But in the Cultural Revolution that Mao unleashed on China in 1966, Deng was denounced as a "capitalist roader" and banished from Beijing. He spent the next four years in a remote Jiangsu province, setting food for party officials in a open field and working in a factory making tractor parts. After the end of the Cultural Revolution, Deng returned to Beijing in 1973 before being purged for a second time in 1975. That same year, however, Mao died, and a coup led by his widow (known along with her associates as the Gang of Four) failed. The following year, Deng returned once more to Beijing and to power—this time successfully outmanoeuvring several rivals to become paramount leader.

A charismatic Glasnost, El. (other) dynasty, Deng possessed a wide-ranging curiosity and open-mindedness unusual among his revolutionary peers. "His eyes were always sparkling," recalls Earl Drake, Canada's ambassador to China in the 1980s, who met Deng on several occasions. "He had such a lively intellectual curiosity. He was very quick on the uptake, very quick in response." He also possessed a dry sense of humor. When former prime minister Brian Mulroney paid Deng a visit late in 1986, he remarked to the Chinese leader that Canada had too much open space and not enough people, while China had the opposite problem. Instead Deng, "You're absolutely right. One way to solve the problem would be for us to send you people. How many would you like? Ten million? Twenty million?"

In what he sometimes called China's "Second Revolution," Deng in late 1979 unveiled economic reforms that within a decade had transformed Chinese living standards. Embracing the slogan "To get rich is glorious," Deng dismantled central state control over most production and pricing decisions, encouraged entrepreneurs, allowing competition to keep profits they earned, and opened China's foreign investment for the first time since 1949. Set the lifelong Communist "corruption was no disaster," notes Drake. Deng was nothing incompatible between free markets and repressive politics. He steadfastly opposed democratic political reforms and ordered the bloody 1989 crackdown on the protesters in Tiananmen Square in which an estimated 3,000 died. In Hong Kong last week, demonstrators unfurled a banner reading "Deng," and protesters in Beijing gathered outside the local office of China's Xinhua news agency.

His death leaves power in the People's Republic in the hands of a collective leadership, headed by Jiang, which is committed to maintaining the course of economic reform. Few observers doubt that the centralized is secure—at least in terms of overall direction. For China's 1.3 billion people, Deng's reforms have produced the country's longest period of sustained stability and economic growth. China's economy has doubled in more than 2700 by traditional measures, and has soared to \$4,600 million purchasing power is taken over its neighbor (Canada, \$30,000). The social representation of Beijing's top speakers and authors like "Mao said in long gone



Warning Deng in Shenzhen economic zone, near Hong Kong, celebrates

Against that backdrop, it would be a huge leader who undertook to reform in dramatic socialism.

What that in mind, some analysis downplay the likelihood of a post-Deng power struggle inside Zhongnanhai—Beijing's version of the Kremlin. "There is not about the transfer of power from one supreme leader to the next," Howard Ball, Canada's current ambassador to China, observed in a recent speech. "It is about remanagement of a largely collective leadership where there is a very large consensus about the broad directions in which China is headed."

But that head-on course makes strong differences among senior Chinese leaders on particular policies. While few Chinese observers expect Deng's death to spark any immediate instability, many believe it will unleash a new debate about the many problems and side effects that have accompanied market reform. "There are certain things," notes University of British Columbia sociologist and political scholar Piersa Fetter, "that could not really happen while Deng was still alive." For example, Fetter says, Deng's successors may be prepared to allow a critical re-examination of the political events leading to the Tiananmen Square crackdown.

But even beyond and better issues also loom over the Chinese leadership. While some Chinese entrepreneurs have gotten rich gloriously, many more, including Deng's own offspring, have done so thanks to barely concealed connections with influential members of the Communist party hierarchy. The perception of widespread nepotism and corruption, as well as increasing disparities of income, have fanned growing resentment among the poor. At the same time, many Chi-

nese cities, especially the booming industrial centers along its Pacific coastline, are struggling to accommodate a flood of unskilled rural migrants seeking a share of the new wealth.

Other challenges threaten the leadership's ability to maintain the pace of reform. Money-losing state-owned enterprises, many of them in capital-intensive heavy industry, continue to drain funds from the economy while ill-trained managers resist restructuring measures. Their reluctance is shared by central planners, who are acutely aware that such measures would put millions out of work, creating a huge potential backlash. China also is unprepared to social safety net to buffer the effects of sudden economic dislocation. Meanwhile, the lackluster pace of development since 1979 has generated a growing disillusion among the people, and in some centres further growth may be restrained by short-

men measures. In addition, its second five-year term expires in 1998, and he has told others, including some Communist leaders, that he plans to retire after completing the mandate.

Other rivals for Deng's mantle may come from outside the immediate circle of the Politburo leadership. Beijing governor Jia Qinglin, a former party secretary in the booming southern province of Fujian, represents a younger generation of technocrats with growing political ambitions. People's Liberation Army Chief Li Hongwei is believed to share the military rank and file's lack of enthusiasm for Jiang, but he may prefer the role of backroom power broker to becoming a high-profile civilian leader.

The most potent challenge to Jiang's rule may come from Qiao Guo, the 70-year-old chairman of the National People's Congress.

Under Qiao, the traditionally compliant rubber-stamp body has shown a greater willingness to exert its constitutional powers as the highest organ of the Communist state. Qiao is one of the few influential leaders who opposed the Tiananmen action. And as former head of the minister's internal security apparatus, he is a politician by his trade, well acquainted with his rivals' weaknesses.

The jockeying for position is likely to break into the open when the political supremacy Communist party congress convenes in Beijing, probably in October. But whoever emerges as the eventual victor, the very nature of the struggle to succeed may reveal much about his legacy. On the one hand, the self-effacing pragmatist dismantled the personality cult denying Mao and discouraged attempts to develop a similar cult around himself. On the other, notes Drake, the failed to find a truly worthy successor.

Steadily Deng overruled a dissent already that for three decades defied mostly turmoil and famine, but was unable to alter any more compelling alternative five personal legend. The unassuming man who has ruled during his retirement has relied largely on enthusiasm to counter growing strains because China's increasing wealth. "Deng" and his well-known "bunch" (The result, notes Fetter, has been "a huge perceived moral vacuum in China."

Now, Fetter adds, "the person likely to get the gold ring will be the person who is able to articulate a vision for China." Or so Jiang would like. Jiang Qing might have used it—no longer enough that the cat catches mice—it has to have a purpose.

One possible, but unlikely, challenger is Li. The pragmatic premier has sketched himself with Deng's economic reforms and "open-door policy" towards the rest of the world. But he is a political hardliner who signed the latest law order this outmanoeuvred the Tianan-

men massacre. In addition, Li's second five-year term expires in 1998, and he has told others, including some Communist leaders, that he plans to retire after completing the mandate.

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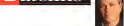
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CHATELAINES

More Canadian women get it all together



By Andrew Phillips

The spy who sued over Canada

The perception of any nation as always more culturally driven when they are played out against a foreign backdrop. What seems more remarkable at home can appear strange, even exotic, abroad. So it was not with the curious case of Keith Kenner, the American intelligence analyst who suddenly emerged with a convoluted tale involving the military, Canadian intelligence officers and possible spying on Quebec's representative in Washington. All three parties lived up fully to their national stereotypes. The Canadians recorded in horror that the whole affair had become a public—and loudly demand that they take any special interest in the activities of an envoy of a government that, after all, dedicated to breaking up Canada. The Quebec government always eager for a chance to put Ottawa on the spot, immediately called for an inquiry into "acts of espionage" by its international relations minister, Sylvain St-Onge, dubiously labelled "the Canada agent." And the journalist he honored his own national traditions by doing what comes naturally. He sued.

It was Kenner's lawsuit that shone a rare light on the uneasy relationship between federal officials and Quebec's only office in Washington. Kenner, a 40-year-old analyst with the U.S. Defense Intelligence Agency, a little over a decade at the Pentagon, took his own agency to court because it ordered him not to attend an academic conference on relations between the United States and a sovereign Quebec. The tale he told was bizarre. Last Oct. 28, he attended another conference in Quebec City and spoke publicly about the military applications for Washington of Quebec's independence. Federal officials listening to him did not like what they heard—especially coming from someone who at the time spoke openly in Canadian affairs for an American intelligence agency.

What exactly did Kenner say? He wasn't talking last week but according to Jean-Jack, a leading professor of Canadian studies at St. Lawrence University in Canton, N.Y., who attended the conference: "He said that from a strictly military point of view, there is no problem for the United States with an independent Quebec. It's politically incorrect to say it, but he did a hard-sold

military analysis." Federal officials, of course, prefer to emphasize the disruptions and difficulties that might accompany secession. Alarm bells started to go off in Ottawa and Washington.

At the same meeting, Kenner exchanged business cards with Marc Boucher, a general former historian who is Quebec's chief representative in Washington. The two were arranged to have lunch on Nov. 4. But that morning a Canadian sniper on exchange with the DIA named Michel Prof'homme queried Kenner about his relations with Boucher. According to Kenner, Prof'homme said he was acting at the request of Col. R. J. Taylor, Canada's liaison officer with the agency. In his lawsuit, Kenner says

was to be a closed-door, invitation-only at first discussing articles for a special issue of the magazine's journal devoted to relations between the United States and an independent Quebec. And never mind that representatives of both the federal and Quebec governments were invited. When the Canadian Embassy heard that Kenner planned to take part, Taylor again raised questions at the DIA. The agency was clearly sensitive to those concerns. It ordered Kenner not to attend because, he was told in a memo dated Jan. 28, "of the clearly predictable adverse impact your participation would have on relations between the United States and the Government of Canada."

That's when Kenner sued and the whole messy story spilled out. He asked a judge to order the DIA to lift its ban on his attendance at last week's conference—surely the first time anyone has gone to court for the right to do something many Canadians might well pay to avoid outside all day and debate the country's constitutional woes. Eventually, the agency softened its stand and acknowledged that it could not stop him from attending, and the judge threw out Kenner's motion for an injunction. He took part in the conference—but he paid full face disciplinary action if his bosses decide that he broke guidelines for U.S. government employees who speak in public.

If anything, the incident underlines the uneasy relationship with which federal officials view the activities of Quebec's representatives abroad. The dualities between the Canadian Embassy and Quebec's press office in Paris are legendary, but the jockeying in Washington has generally been more muted. The American government is hardly as receptive to the secessionist cause as the French, and on the face of it, the competition is far from even. Boucher operates with a single assistant out of a small office in Washington, while Canada's expressive embassy on Pennsylvania Avenue is staffed by no fewer than 250 people. And the two sides hardly hide from each other; they frequently discuss ways to attract American investments to Quebec, and run across each other in the small world of people who care about Canada-U.S. relations. In the end, the affair seems quite unrepresentative of Canada—a spy

was not any actual spying.

Team Canada 1997 TAKING ON THE WORLD

If we had to choose a star player from the Team Canada 1997 roster, chances are Carol Ann Grogan would not be an automatic pick.

The art dealer from Auburn is not one of the people you would normally expect to see stepping off the plane on such a high-profile, high-profile trade mission. She does not represent a big, important industrial firm. She is not a typical exporter, for Grogan is representative of what Team Canada is all about: an intersection of the knowledge diversity that makes this country tick and thrive.

She was just one of the more than 500 participants who paid their full share—about \$10,000—to take part in what is considered to be the most successful and comprehensive trade mission in Canadian history.

If she ever had any doubts about the need to take part in such a venture to promote Canadian artists abroad, the trip dispelled them completely.

As she states proudly, she made more headway in 12 days than she did in a previous three-week trip to Japan. "People are interested in Team Canada," she says. "With it, they even just looking at a little art company on its own. It's a whole package." In other words, by being part of the delegation, she was in a better position to open doors that were once shut to her.

These new words could have been spoken by just about any player on Team Canada 1997, no matter the size, power or agenda. Two words could have summed it up: it works.

The mission was a whirlwind tour of Korea, the Philippines and Thailand, countries that are part of one of the fastest-growing economies in the world—Asia Pacific, which bought \$20.7 billion of Canadian export products in the first 11 months of 1996.

The Prime Minister of Canada, "provincial premiers, federal ministers and city mayors; business people from both large and small businesses, from high-tech industries to the area heads of universities and colleges and of business organizations and associations; students and young entrepreneurs and members of the media all travelled together to open new export markets and create jobs at home.

Team Canada 1997—the third such mission to Asia—brought home \$3.1 billion of business and the potential for even more down the road. They're deals and transactions that say that Canadian know-how, products and services are the best in the world and that Canadian businesses are acknowledged leaders in today's global economy.

And, as important as those agreements are for the companies involved, taking part in Team Canada was just as crucial to other members of the mission. Many were thrilled to return home with the promise of future success, while some had the satisfaction of having played an important intermediary role.

A U.S. agent's story highlights the cold war between Ottawa and Quebec

close to accusing the Canadian of spying on Quebec's man in the U.S. capital—but he never actually used the word. Last week he backed away from that suggestion, his lawyer, Victor Ginsberg, said. Kenner had never meant to imply that the federal officials were spying on Boucher. If he thought that, said Ginsberg, Kenner would have gone straight to the FBI. Instead, he complained to the Canadian Embassy in Washington.

The next day, Nov. 5, Kenner was summoned by his supervisor, told that Taylor had lodged a complaint against him, and was ordered off the DIA's Canadian account. But Kenner's supervisor's view had no imposed jacket that the professor tried him to another conference—to be held in Washington last week under the auspices of the Association for Canadian Studies in the United States. Never mind that the meeting



SPAR Aerospace Ltd. (Toronto) will construct a microwave-sensing satellite system to the specifications of the Thai government. SPAR technicians are shown here performing a final alignment and inspection of HSAT (mobile satellite) payload at the David Florida Laboratories near Ottawa.

Beyond the obvious, beyond the profusely fascinating political drama that unfolds and the splashy headlines you read when Canada's Prime Minister, nine premiers, mayors and business people are thrown together for 12 days, beyond the high-stakes games of international market competition being played out, beyond the glamour of it all, Team Canada 1997 was a priceless opportunity for Canadians to stake their claims to the international marketplace.

From Internet technology to B.C. coal mining, from New Brunswick snailled lobsters to television communications systems, from churches to log cabins, from SPAR Aerospace satellites to Campbell East's smart-camera technology from The Canadian Wheat Board's \$250-million wheat deal to a wine-tasting presentation from Newfoundland's Marland Cottage Winery, you get the impression that every part of the country had something important or unique to sell and contribute to the prestige of Team Canada 1997.

United they fly

Many Canadian companies find out what they travel that we are better than we thought we were," says Kazimierz Olechowski, president of Laval engineering firm CDMA+. "If we are to stay at the top, it's important to compare ourselves with the best in the world."

It is fascinating to see how participants in a Team Canada mission rally their strengths to present a formidable united front. By working together toward a common goal, the members of this high-profile combination open doors and create on-the-spot opportunities, particularly for small business. The support of the Prime Minister, premiers and mayors enhances the credibility of participants in the eyes of prospective customers, business partners and investors. Those with experience in the international marketplace help give newcomers a leg up, by providing advice and sometimes introductions to potential clients. Solidarity breeds prestige and confidence.

Planning before takeoff

The spirit of co-operation began long before the plane took off. Government organizers, federal and provincial, began working immediately after the January 1996 mission to South and Southeast Asia, expanding the database of eligible companies, sending out invitations to 2,280 companies and following up by telephone, and consulting with key stakeholders such as the provinces and previous mission participants on ways to create an even more successful mission. The Canadian Chamber of Commerce played a key role in seeking corporate sponsorships to defray costs and lining up keynote speakers for workshops and meetings.

Getting to know each other on board

The positive energy generated by all participants being in the same boat – or, literally, on the same plane (a first for a Team Canada mission) – is contagious, as delegates have the opportunity to exchange views and ideas in casual circumstances and to discover how they can work and trade with each other.

It creates one of the most profitable offshoots of the mission – what some have dubbed "Domestic Team Canada" – that is the building of closer ties among the participating companies, associations, institutions, politicians, government officials and individuals.

Canal Brunet, of Greenfield Park's Cogcom Informatique Inc., sums it up: "In 10 days, you make friends. Not build an important network of support and co-operation. There's no other way."

"The networking we are doing with all these Canadian companies is as important as making contact with a potential client in Korea," says Jean-Pierre Szatnai, president and CEO of DRESSAU Inc. of Laval.

There is a very pragmatic reason for that. "Doing business alone in these countries is tough," explains Szatnai. "So if we can find potential partners with other Canadian companies, it's much easier for us. If they have a potential project, they'll give us the information or we may go together on this project."

Another new initiative this year contributed greatly to the positive chemistry that developed between government and business – chemistry that made it possible for the team to present such a solid front. A day did not go by that politicians and business people didn't meet face to face – whether at breakfasts, luncheons, signing ceremonies or workshops.

For the first time, the Prime Minister hosted a Team Canada Forum in all three countries, during which political leaders, including Minister for International Trade and Secretary of State (Asia-Pacific) Raymond Chan, met with company representatives to discuss issues related to the mission. Similarly, provincial premiers held two breakfast meetings, at the start and end of the trip, with business people from their respective provinces.

Networking our way to the other side of the world

"What is important is relations, relations, relations," says Hugh O'Donnell, managing director, geomatics of SHL Systems Inc. in Ottawa. "You've got to develop these relations, and then the opportunities will come. There's nothing that replaces face-to-face meetings."

This year, business delegates were given many opportunities for these face-to-face meetings with their foreign counterparts. From the large business



The Prime Minister, premiers, Minister for International Trade and Secretary of State (Asia-Pacific) at the business forum during the Team Canada 1997 mission to Korea.

forums that brought hundreds together to the small networking meetings and receptions, this interaction contributed greatly to creating a teamwork environment. To the participants, this was one of Team Canada 1997's most rewarding achievements.

Kilmer mayor Richard Christy grasped the full impact of such relations in this market. "While Canadians like to sign contracts and get on with it," he says, Asian business people like to develop personal relationships based on trust and loyalty. And these relationships begin with an introduction through a third party, an intermediary role Christy played for several local companies.

To Trevor Hewison, director of Shurtle Craft Canada of Saskatoon, the Team Canada concept is vital in establishing these links. Trying to penetrate a new market is very difficult, he says, especially when the two cultures are so different. "Where would you start? We couldn't have an idea."

Even industry giants such as Hydro-Québec admit that the rules are different and that they require new approaches. "Doing alone, we normally would have no chance in reality to conclude a deal," says president and CEO André Gauthier. "But by interacting with an Asian partner, our chances grew to one in five."



Navigating the way for smoother sailing

Korean business people want to see Canadian government involvement before they commit to any deals, says **De Bi Lee**, president of TRI Microwave Technology Inc. of Burnaby. "Over the years, we see the government involvement, they feel much more comfortable. It gives us a tremendous amount of credibility."

Official ceremonies that may be perceived by some as mere media photo opportunities are extremely important to the Korean hosts, explains Lee, who came to Canada from Korea in 1974. "What appears to be just a formality," he says, "in the end really makes the sale. A nicely packaged good with much better."

Even veteran operators in this part of the world do not underestimate the effect of a Team Canada mission on local officials and business people. For many, their government's endorsement is essential.

International giant AGRA Inc., for instance, already does business in the three countries visited by the mission. But, as president and CEO Alex Taylor points out, "A lot of the clients we have, in fact, are governments or corporations that are owned and controlled and influenced by governments in those countries, and, therefore, it's very good for us to be seen to have government support, because in those countries, they like dealing in some ways, government to government."

AGRA Inc., based in Oakville, has 395 offices in 22 countries around the world. On this trip, the company's subsidiary, AGRA-Morocco, signed a memorandum of understanding with Kabool Engineering and Construction of Seoul to market its Axiom project management systems and services, following up on a previous \$2-million contract with Kabool.

The Canadian government's action was also crucial to the success of MedconSoft Inc. The small company from Wilkesville is leading a consortium, including Excellence Corp. of Milton and Healthware Technologies of North Bay, that is providing hardware, software and training so that almost 2,000 Filipino hospitals can put medical records on-line. The first leg of the project is worth an estimated \$33 million, while the second could top \$200 million.

"The Team Canada mission accelerated enormously our work to move from just a conceptual working relationship... to a real project," says MedconSoft Inc. president and CEO Dr. Suresh Arora. More than that, he can see a beneficial ripple effect in this part of the world. "The government support will attract other governments to work with us."

Government support also had the undeniable benefit of building a shortcut to approvals and success. Cutting through red tape is a frustrating enough challenge domestically; doing so on the international scene, especially in the emerging markets of Asia, gives business and professional people an incredible edge over the competition.

Even a solidly established company like SPAR Aerospace Ltd., a firm with unassailable credentials throughout the world, recognizes the importance of government involvement. Negotiations on its \$155-million contract with the National Research Council of Thailand to construct a remote-sensing satellite system were held up until intervention by Prime Minister Chrétien, at the request of SPAR, clinched the deal.

"It's a very significant event for our company," SPAR president and CEO Colin Watson says. "I thought the deal was foundational. Mr. (Prime Minister Chrétien) broke the logjam."

Watson says the deal will provide 40 to 50 "very highly skilled jobs" at his Ste-Anne-de-Bellevue plant.

Education: a new partner on board

One of the most interesting aspects of the Team Canada 1997 mission was the inclusion, for the first time, of a large delegation from the education field, one of the eight key sectors of the Canadian economy highlighted on this trip.

Sixteen university or college presidents and deans took part in the mission, which attracted some 60 people from the education sector in all.

We may not see education as a business venture, but dollars and cents are just as important to maintaining the high level of excellence of Canadian institutions as are a good curriculum and a competent teaching corps.

What does this have to do with a trade trip to the Asia-Pacific region? A great deal, especially for universities and colleges. Over the last four years, foreign student enrolment in the country's universities has dropped by a dramatic 18 per cent, depriving the institutions of tuition fees from foreign students that can top \$15,000 a year, and threatening graduate programs in engineering and mathematics—programs that traditionally rely on Asian participation, and that Canada's high-technology industry banks on.

University officials believe that the erosion in foreign enrolment is due to a combination of aggressive marketing strategies from institutions in other countries such as Australia, the United States and the United Kingdom and, conversely, ineffective marketing on the part of Canadians.



1. Bernard Poulin (second from right), president of S.M. Group International Inc. of Montreal, signing a \$50-million memorandum of understanding with the City of Manila, the Philippines, to develop infrastructure projects in waste treatment and water distribution.

2. Bill Kerkhof (shown third from left, at a show-home site in Incheon, Korea), president of Canadian Homes International Inc. (Chilliwack), signed two letters of intent in Korea to develop a senior citizens' complex and to construct a wood and timber church. The two agreements will generate revenues of \$11.5 million.

3. Alex Informatique Inc. (Lachine) signed an agreement in Seoul to supply Libra™ media server systems to equip Korean schools with state-of-the-art multimedia learning centres. Initial orders are valued at more than \$2.5 million.



Orion 2000 Technologies Ltd. (Kilmered) signed agreements totalling \$65 million. Pictured here are Gavin Miles, president of S.M. Software Inc., the developers of the A-Net Banking Switch; Edgar L. Quante, chairman of Orion 2000; Orlando Peña and Carlos Torres, representatives of the Association of Development Financing Institutions in Asia and the Pacific.

"We haven't developed a coherent articulation strategy for marketing ourselves abroad, we're just modest to a fault," Georgia University president Maedroska Ruzanska was quoted as saying in *The (Sherbrooke) Record* before embarking on the Team Canada plane. The trade mission was a prudent way to try to reverse this troubling trend.

Public school boards across Canada are also promoting foreign student enrolment. Educators such as Superintendent of Schools Emery Dondoli of Edmonton hope the Asian trip will help generate a few million dollars in revenue.

Steven Kelley, chairman of the Nova Scotia Community College Board of Governors, agrees that

the marketing and selling of education is the main avenue for universities and colleges to generate funds in the face of cuts. He is also convinced that Canada must push ahead with this unique kind of trade. "Many other countries have been doing this for a long time. We're behind the eight ball."

Jobs: the real bottom line

Whether it's in Asia or Canada, business networking and marketing lead to one all-important point: the bottom line. That, of course, is profit for these Canadians who take the plunge. But for all Canadians, the real bottom line is the jobs generated by those profits.

As Peter Caplan, chairman of the board of Vid-PQR's Quebec (1996) Bionics Inc., explains, "When we sell lenses on the foreign market, we have to fly our window, carpet, hardware and righdards [for the Canadian market]. It creates jobs directly and indirectly."

The success of a small Abbotsford firm in Asia is a powerful testament to the future that budding companies have in this area of the globe if they take advantage of the opportunities. Wilber Prose, president of Quabry Log Bionics Ltd., signed a \$6.37-million deal to build log cabins in the Philippines.

services of the Ottawa-based International Business Opportunities Centre, trade commissions connect exporters with prospective buyers. They can also identify the right government program to help exporters succeed, such as the Program for Export Market Development (PEMD) helps increase export sales of Canadian goods and services by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing the risks involved in entering a foreign market.

And trade commissions play a major role in the organization and eventual success of Team Canada missions.

If you are already exporting and are looking to expand to new markets, you can also contact one of the 11 International Trade Centres (ITCs) in Canada. These centres provide valuable information on international markets, partnerships and alliances, opportunities for technology transfers, trade fairs and missions, as well as conferences and seminars. But, most important of all, ITCs are your direct link to the Trade Commissioner Service – your gateway to export markets.

And Team Canada partners offer even more

The Team Canada Market Research Centre produces a full range of product and country market reports for Canadian exporters. These reports contain information on the demand for products, competitive environment and channels of distribution in markets around the world. They also provide information on partnering, prospects, key contacts and promotional venues.

Across Canada, Info-Fairs feature exhibits from over 18 federal agencies and departments that support small businesses, including exporters, through programs, services and partnerships. Team Canada officials are also on hand to demonstrate their programs and services and to direct participants to appropriate sources of information.

The agreement means Prose will quadruple his company's production and hire 30 to 40 employees he was planning to begin hiring two weeks after his return to Canada.

Another small, 15-employee company in B.C., this one competing in the high-technology sector, was one of the big winners of the Team Canada trip. Orion 1000 Technologies Ltd. of Richmond signed deals in each country: a \$65-million agreement with state Philippines development bank, an estimated \$10-million memorandum of understanding with the Korea Technology Bank of Corporate and a \$10-million MOU with the Industrial Finance Corporation of Thailand.⁹

EXPORT SERVICES KEY TO SUCCESS

There has never been a better time for Canadians to establish or enhance small businesses and to give up for export markets. Abundant opportunities in the global marketplace, decreasing trade restrictions, the globalization of markets, and improved travel and communications infrastructure, make exporting in the sciences more viable than ever before, particularly for small and medium-sized companies. In today's global business environment, taking advantage of export opportunities is one of the best ways for your company to grow and prosper.

Exporting can bring significant benefits – expansion or diversification of your business, more jobs and increased profits. It can also place demands on companies that they may or may not be prepared to meet. Whether you are new to exporting and need information on how to get started, or you are an experienced exporter looking for business leads, Team Canada services can help you succeed.

Team Canada: more than meets the eye

Team Canada is more than just trade missions. It is a major component of the federal government's Job Strategy and a concerted effort on the part of all levels of government – federal, provincial, municipal – and the private sector, working in partnership to help Canadian companies prepare to enter and succeed in foreign markets.

Participation in Team Canada missions has helped hundreds of Canadian businesses make major inroads in world markets. But you don't have to go on a mission to benefit from Team Canada's expertise and services.

And you don't have to be a large company. Any small or medium-sized Canadian business can enjoy access to all of Team Canada's export preparation information and resources.

Making the export leap

Your first step, particularly if you are contemplating a business start-up or are new to exporting, is to contact one of the 12 Canada Business Service Centres (CBSCs) throughout Canada. The federal government has teamed up with provincial governments and the private sector to offer a consolidated service to Canadian business. CBSCs can provide information and advice on a wide range of issues, from establishing a business, getting ready to export and accessing financial assistance programs to searching for market opportunities and identifying regulations, licenses and permits.

Connecting with market opportunities

Once you are export ready, the next step is to register your company on the World Information Network for Exports (WIN Exports) is used by the Trade Commissioner Service's worldwide network of trade experts to match your company's products and services with the needs of foreign buyers.

Think of the Trade Commissioner Service as your advance global marketing team: a network of more than 400 specialized officers in 120 embassies, high commissions and consulates in all of the world's major markets. Using such tools as WIN Exports and the

If you have access to the Internet, plug into the Department of Foreign Affairs and International Trade's web site at:
<http://www.international.gc.ca>
or Industry Canada's Strategic site at:
<http://strategic.gc.ca>
to get information on global business opportunities, events and services.

- To connect with the Canada Business Service Centre nearest you
- To obtain information about Info-Fairs across Canada
- To obtain a copy of *Your Guide to Government of Canada Services and Support for Small Business*, or the *Guide to Export Services*



- To register in WIN Exports or to obtain information about the Program for Export Market Development
- To learn how to gain access to the full spectrum of information and intelligence on exporting, from getting started to arranging financing and distribution to doing the deal

1-800-967-8571
Monday – Friday (except holidays)



Each Member of Whiting Equipment Ltd. (Whitemin), has no doubt that trade initiatives of this kind help open doors for small and medium-sized companies. "Without missions of this nature, it could take two to three years to make these introductions," he says.

Company president Karim Lakhani estimates that once sales start coming in, "probably twice as many jobs will be created locally as are created overseas." All of Orin's partners should also see job increases, Lakhani explains, because "a whole network of services is required."

Where to fly from here?

The list of contracts, totalling more than \$2 billion, goes on, as do the numbers of jobs created. But, as the testimonials show, there is a lot more to a Team Canada mission than can be seen on pieces of paper.

It's no secret to anyone in business that one of the best ways to survive and prosper is to take advantage of opportunities that are emerging every day, not only at home but around the world. In the face of a small domestic market, it makes good economic sense for Canadians to sell their goods and services in other parts of the world. Those who were part of Team Canada 1997 know this. It's why they joined. It's a big part of why the mission was a success.

But the trade mission's success has another side, one less obvious. It says to Canadian businesses, whether they are large conglomerates or small firms, that they can share in the benefits of exporting.

The plan for this particular mission may have landed, but Team Canada will continue to work behind the scenes to ensure that Canadians benefit from these missions. A network of alumni relations participants will be created, the database of eligible companies will be expanded, and this year's participants will be asked for their feedback on the mission. All this in the interest of building on the success of previous missions and ensuring the success not only of future missions, but of all the exporting activities spawned by these missions, and the resulting economic benefits.

More than anything, Team Canada missions introduce Canadians to their counterparts around the world and to each other. One of the most intangible, yet powerful, effects of such endeavours is the confirmation of what we can achieve when we work together.

Team Canada - Équipe Canada

WHITEWATER WAFFLE

Kenneth Starr, the U.S. special prosecutor investigating the Whitewater episode and other scandals involving President Bill Clinton and his wife, ended four days of controversy by announcing he would stay in his job. Earlier, he had surprised Washington by saying he would take up an advisory position on Aug. 1—prompting White House officials to suggest that there would be no indictments brought against the Clintons. Starr now says he will stay on until the investigation "and any resulting prosecutions" are substantially complete.

MAYOR AT LAST

The Belgrade city council elected opposition leader Zoran Djindjic as mayor, setting the stage for a new level of confrontation with Serbian President Slobodan Milosevic. Djindjic helped lead street protests that forced Milosevic to recognize opposition local election victories. The council immediately moved to reform state-owned local television, which it controls.

ANGER IN ALBANIA

Albanian President Sali Berisha toured the country to try to calm citizens' anger over losing their savings in fraudulent pyramid schemes worth up to \$2.7 billion. He dismissed demands for his resignation after five weeks of often violent protests. In Tirana, riot police fired shots in the air after protesters hurled stones at them.

COOKIE THEAT

The giant Australian biscuit firm Arnott's Ltd. removed millions of packages of cookies from supermarket shelves and destroyed them after an advertisement threatened to poison Arnott's products. The unnamed national was campaigning for the release of convicted murderer Ron Thomas, who claims he is innocent. But Thomas denied involvement and called on the advertiser to stop.

MURDER CHARGE

In a front-page headline, Britain's Daily Mirror accused five white men of being "murderers," although authorities had failed to connect them to the 1993 killing of a black youth. The newspaper claimed legal experts by declaring: "If we are wrong, let them sue us." The government investigated whether to file contempt charges.



A shrewd move: Blair meets Albright. Tossy reception

Albright pushes NATO expansion

Western critics say don't fix what isn't broken and the Russians snipe but the proposal. But new U.S. Secretary of State Madeleine Albright is determined to push ahead with adding new members to NATO from the former Soviet bloc. Albright took her pitch to European capitals last week, and connected her US NATO allies to make motions to new members at a NATO summit

planned for Madrid in July. The summit of enlargement is helping to bring Europe together," she said during a stopover in London. "And it is a promise that must be kept." First is free for membership in a club whose privileges would include the guarantee of America's nuclear defence. Hungary, Poland and the Czech Republic. And even staunch Russian allies like Bulgaria are now clamoring to join. Last week, Prime Minister Jean Charest added support for Romania, Slovenia and Slovakia.

But Albright got a hot reception in Moscow, where NATO expansion close to Russia's borders is seen as a threat. Officials have long questioned why it is necessary in the post-Cold War era. The Russians now seem resigned to expansion going ahead, but they want a binding treaty to give Moscow some say over NATO's activities, such as limiting its clear weapons from the territory of new members. Albright wants the negotiations wrapped up quickly, to allow the new members to join by 1999. But after meeting a decidedly cautious President Boris Yeltsin, who is recovering from pneumonia, she said it may be far from certain a deal could be reached by July.

TRUPE

Washington won't play

The United States said it would ignore a World Trade Organization proposal to open up trade with the U.S. Helms-Burton Act, which seeks to punish foreign companies doing business with Cuba. "We will not show up," a senior U.S. official told. The European Union asked for this proposal, considering that the new WTO policies are trying to restrain trade with Cuba by third countries. But Washington, which has maintained a trade embargo against the Communist re-

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Mexico's drug chief arrested

Mexico's top anti-drug official was arrested after he was revealed to have close connections with the boss of the country's most powerful cocaine cartel. The scandal caused embarrassment from Mexico City to Washington. Army Gen. Jesus Gutierrez Rebollo had been chosen to lead the national drug program only two months earlier by President Ernesto Zedillo,

who has declared drugs Mexico's number 1 national security threat. Rebollo was praised recently by White House drug policy director Barry McCaffrey as a "guy of absolute unquestioned integrity" and was given serious beliefs that officials now fear may have endangered U.S. interests. Moreover, President Bill Clinton is due this week to certify to

Congress whether Mexico is making good efforts to fight drugs. A negative report, though not expected, would lead to economic penalties. Mexican authorities said Rebollo and several underlings were "collaborators" with the Zedillo family, boss of the notorious Juarez cocaine cartel. Military investigators learned of the connection when Rebollo moved into a luxurious apartment provided by the cartel.

GREED, GRAFT, GOLD

Canadians find treasure in one of the world's most corrupt countries

BY JENNIFER WELLS

The car pulls out of Soekarno Hatta airport and heads towards downtown Jakarta. The management of the airport itself is contracted to companies owned by two of the offspring of President Suharto, who has ruled Indonesia for more than 30 years. As the car makes its way towards the city, it travels along a road built by a construction company controlled by Suharto's eldest daughter, Tuti. It passes through Tuti's toll booth, then proceeds towards the seven-lane expressway and credit project, a posthumous commercial tribute to Suharto's wife, Machan Tien. Along the way, the driver overtakes a couple of Timor refugees, the "national car" (in which Suharto's son-in-law, Tommy, runs the manufacturing company, losing his own brother, Ben-Hang. Having been relieved of all his obligations on the Korean-built auto, Tommy can sell them for half of what the competition must charge. This is how the Suharto makes a market. Along a muddy road, men fish for bandeng. It is a rare scene of commercial simplicity amidst this remarkable tangle of corruption, greed and graft. Welcome to Indonesia.

John Filderhof is pacing like a panther. Based in a place he does not want to be. Harassed by people he does not like. He is grey-pink, his skin approximating the color of the smoke that rises from his Marlboro cigarette. Outside, the Jakarta air hangs at 30°C. The scenery is chaotic, Kotak-mosaic. Inside, the carpet is thin, the lighting is poor and everything has the pallor of grey plasticine. This



COVER

■ Basing project goes camp; Moth (left) a Jakarta tale of embarrassing riches

could be the office of a young exploration company in any old mining town. Tannians, Ost Suddrian, Ost. Aerial maps pinned on walls. Maps of drilling progress, too.

The fax machine keeps spitting out paper; the phone keeps ringing, and Filderhof cannot quite figure which he should attend to first. The alarm has been in a box of Dutch souvenirs for years to use. He cannot. It is Friday Feb. 14, and

Filderhof, senior vice-president of exploration, and his corporate peers from Direx Minerals Ltd. are running tight to the wire. They have just 72 hours to f

under an agreement on the ownership and operation of the gold find called Basing, scrambling to race yet another deadline imposed by the Indonesian government. There have been so many deadlines before, they have all drifted away. But Filderhof says this one is real. Two days previous, Barrick Gold Corp. of Toronto—for months the leading contender in the Basing stakes—was shut down by Mohammad (Dek) Hama, the timber tycoon and Soekarno confidant who had wedged his way into the Basing story not just as a participant, but rather as the deal-maker. "He was upset that Barrick came in and made Indonesia look like a Third World country," Filderhof says of Hama.



■ Soekarno (right) with Hama: timber tycoon and confidant

Hama may indeed be a great patriot, but surely what was important in his mind was, "What is in it for Boko?" Hama had recently acquired control of a company called PT Anekausaha, which has a 10 per cent portion of the project called Basing II—which happens to contain the great majority of the gold. Hama, however, wanted more than 10 per cent after he was going to partner with Barrick. Basing had become a political football. Pressure was mounting to find an Indonesian solution to the battle for Basing—to give Indonesia an interest in a resource Barrick said so. "Everything else is negotiable, but you can't negotiate who controls a mine of this magnitude," says

Barrick CEO Peter Munk. Barrick's last proposal was put on the table by Munk's last prime candidate, Bill Birchall, and his chief financial officer, Russell Oghurst. Barrick says Munk was willing to work all manner of compensation, from cash to royalty streams. But not control. That, he says, was always sacred to the Indonesian government. "I didn't know Hama was to become the 'Mamak' of Munk's eyes," Filderhof says (Mamak and campy) minister was later to do that.

On Feb. 12, the same day Barrick was slapped down, Hama notified Direx that they would be working that evening with Ben Hui Moffat, the Texas who runs Freepress/McVee's Copper & Gold Inc. of New Orleans. There is precious little time for Filderhof to assess how palatable this latest development is. Parts of the proposal are mighty pungent, but

there is Hama with a 10 per cent, but 50. Not only does he get to triple his interest, but Hama does not have to pay up for his increased stake. For weeks, Jakarta has been a hotbed of deal-makers. Each group has its own base camp. The team from Direx, and one from Vancouver's Placer Dome Inc. are staked out at the Shangri-la, the kind of hotel that has the aura of illicit romance about it. Ten minutes away by Steady Sub and is the Grand Hyatt—the Barrick hotel, as even more calls it. The Hyatt speaks of commerce and power and his very hard edges. A dedicated Oghurst checked out on the

that he had been wrongfully left out of the new partnership. Although Kustono now believes there is no intent to Merak's claims, he took it seriously at first. On Aug. 15, he coordinated the SIPP permit, along with a letter to Bre-X informing it of the cancellation and ordering the company to request return of the SIPP bond, on the order of \$100,000, from the company. Bre-X said it to disclose to its shareholders.

Kustono's director did not have the desired effect of shutting Bre-X down. Instead, the company continued drilling under the contract because of local pressure. PT Jakusendo, again, Bre-X was increasingly out of locally company subcontracted by the local partner could do such work. Bre-X, being the senior partner, did not qualify.

Kustono assigned his people to investigate the Merak's complaint. But through the fall of 1996, there was a no-showable still in authority. On Oct. 17, Ili Bagoes Sudjana, the country's minister of mines and energy, issued a decree under 1994, cancelling Kustono's authority as those nations and handling that role instead to his ministry's secretary general, Yusuf Said.

There are a number of places where the Busing story went off the rails, but perhaps none as significant as Oct. 17. For while Kustono is respected as a straight shooter who well understands the permitting process, Said falls far short of the mark. In his hands, the battle for Busing became a platform for sibling rivalry and mismanagement. It was in October that the government made sure Bre-X understood that it expected to get 10 per cent of Busing for rock, gold, and that it intended to keep a close watch on the file.

All the corporate contenders had that in mind as they jockeyed for position. Bre-X's Federalist said that his company sought a partnership with Sigit Harjosudarmo, a child son of Suharto, because Bre-X had already contacts to the Suharto power base through daughter Tunas and her construction company. The arrangement with Sigit was obvious, for not only was he to get 10 per cent of Busing, but a further \$1 million a month in consulting fees for 40 months. Bre-X's arrangement with Tunas, by contrast, was opaque. At first, Barrick suggested that Tunas's firm would merely be involved with construction contracts tied to mine development. To



There has never been an El Dorado like this

mean to his efforts. The Barrick people were already there, along with Tunas's lawyer, Madan Yoda, and the son of Sudjana's boss, with whom Barrick had formed an alliance. The forced marriage initially sounded like a 55-55 split: the power to Barrick. But, of course, that neglected the government's demand for 10 per cent of the top. So Barrick was actually looking at 67.5 per cent to Bre-X's 22.5 per cent. Barrick proposed carving a further 10 per cent to Jakusendo, to which it was entitled. So the left Barrick with 57. Barrick chief financial officer Gephart now says that FHR, a firm controlled by

that way, the Barrick version looked positively virginal when compared with Bre-X's pact.

On Nov. 14, mines minister Sudjana announced the Bre-X team to his offices. The Barrick people were already there, along with Tunas's lawyer, Madan Yoda, and the son of Sudjana's boss, with whom Barrick had formed an alliance. The forced marriage initially sounded like a 55-55 split: the power to Barrick. But, of course, that neglected the government's demand for 10 per cent of the top. So Barrick was actually looking at 67.5 per cent to Bre-X's 22.5 per cent. Barrick proposed carving a further 10 per cent to Jakusendo, to which it was entitled. So the left Barrick with 57. Barrick chief financial officer Gephart now says that FHR, a firm controlled by

De Guesse examining case sample games still being played

Tunat, would have taken her own slice, presumably 10 per cent, had Barrick's proposal been accepted.

Barrick, of course, hoped for a speedy conclusion: a neat signing of documents before Christmas. It was not to be. As discussions wiled, local interest in the Busing slide grew and grew. Economists and political commentators were critical of the government for its interference, critical of Bre-X for behaving like a stock promoter, critical of Barrick for his lack of faith.

Barrick, says DeGuesse, simply did not appreciate of the business culture, of the understated Indonesian style. He finds the company's "cowboyish" distasteful. He says he has never seen business behave like Barrick's.

These are sensitive times in Indonesia. Everyone is quick to say so. There is an election looming for the lower house in the



Suharto, the minister answered one question and then abruptly left

with left, another 300,000 new Jakarta residents. There is no more. There is no: "They will not sit up until still."

There is only one true power, and that is Suharto himself. The government's claspings on the Indonesian Democracy party last summer was a reminder of that, if anyone needed reminding. The oppression and violence in East Timor, a former Portuguese colony that was invaded and annexed in 1975, kept Indonesia on the international human rights agenda. There has recently been bloody fighting in West Kalimantan between warring tribesmen. Two weeks ago, Malaysia closed its border there.

Suharto's development policies have, naturally, sprung first from the country's natural resources wealth. Oil, Timber, Copper and coal. It is from this, promised to Suharto by the Indonesian—its 1994 wealth, its 190 million inhabitants on 6,000 islands—would be provided with equitable economic growth.

Some people hold more equitable positions than others. Suharto's offspring have worked as powerful agents of Suharto's enterprise agenda, juggling the members on percentages of companies from oil to telecommunications. And then there is Hasan, a Javanese-born businessman who abandoned his given name, the Kim Seng, and converted to Islam, Hasan was adopted by Goro. Goro Schroder, untouchable chief of staff to Suharto. Hasan had his first fortune in plywood, and then in shipping, to ship the plywood and insurance, to insure the shipping. Last week, he moved into the top spot at Astra, the country's largest carmaker. He heads Nusantara Angers (Bakel), or Naurade, an investment company that represents not only his own interests, but those of the Suhartos as well. It was through Nusantara that Hasan took control of Jakusendo in January.

It was a brilliant chess play. Busing had moved far too high on the political agenda, was too "eye-catching," as one observer put it. Public opinion rose both in confidence in the president's economic competence and in the Barrick-Bre-X marriage, and to call for a higher percentage interest for Indonesia, a majority quite for Indonesia, and at the extreme, outright nationalization. "From the beginning, I think there was a secret deal between Barrick and Bre-X and my government," says Amien Riza, a political science professor. "The reason the deal was not made public is that senior bureaucrats were playing a very corrupt game."

Art Argyron, managing director of the British-Australian Group in Indonesia, put out the call for a much higher Indonesian participation than 30 per cent. "The Indonesian government has the right to decide



Fransing for gold in Busing: possibly as much as 200 million ounces

THE ROAD TO BUSANG

May 14, 1993 Bre-X purchases control of the Busing gold project, believed to contain one million ounces of gold. CEO David Welch says the company targeted Indonesia "by virtue of its geological setting, favorable investment climate and political stability."

Jan. 24, 1994 Prompted by new drilling results, Peter Muir's American Barrick Resources Ltd. offers to buy a minority stake in Bre-X.

Feb. 11, 1994 Bre-X turns down the offer, saying it can do better.

June 20, 1995 Drill results show that the project's central zone, Busing 1, contains at least 2.5 million ounces of gold.

Jan. 15, 1996 Bre-X chief of exploration John Fetherall announces that "a resource of 30 million ounces can easily be attained."

March 24, 1996 Bre-X says that four applications for contracts of work—mining per-

mits—have been initiated by the Indonesian department of mines and energy. Welch praises Indonesia's "fascinated and progressive" mining legislation.

August, 1996 Muir tries to gain control of Busing by forging an agreement with Suharto's eldest daughter, Tunat. Later, Muir tells Bre-X that Indonesia has chosen Barrick as the favored partner to develop the site.

Aug. 15, 1996 Indonesia quietly cancels Bre-X's preliminary license, pending settlement of an ownership complaint lodged by Jakarta businessman Jusuf Mubak.

August-September, 1996 Bre-X acquires set nearly 1.5 million shares before the public learns of the company's troubles in obtaining contracts of work.

Oct. 17, 1996 Mines Minister Ili Bagoes Sudjana issues personal control of the Busing file.

Oct. 20, 1996 In a desperate effort to buy back, Bre-X agrees to give Suharto's eldest son, Sigit, 10 per cent of Busing and \$1 million a month in consulting fees for 40 months.

Nov. 26, 1996 Welch announces that Indonesia has "given guidance to Bre-X to develop a joint venture between Bre-X and Barrick Gold Corp."

Jan. 14, 1997 Placer Dome Inc. of Vancouver bids \$6.4 billion for Bre-X. On the same day, Mubak files a \$2-billion lawsuit in Canada against Bre-X, claiming the company used his information to discover the richest parts of Busing.

Jan. 15, 1997 Indonesian timber tycoon Bob Hasan acquires 50 per cent of Bre-X's parent partner on the richest section of Busing.

Feb. 17, 1997 Bre-X announces a new deal giving it 45 per cent of Busing. The rest is divided among Hasan, the Indonesian government and Fraser-McMoran Copper & Gold Inc., a New Orleans-based mining company.

on the case to share ownership without alienating any funds," he said in *Harau*, Indonesia, a local daily. Last week, he reiterated that, according to the constitution, "the product that is in the ground is the right of the people." The 90 per cent that Bre-X says it owns is not true. Bre-X has to explore and a guarantee to exploit the mine. I think that is the problem."

Harjo "Wigglewaggle somehow manages to squeeze through the very narrow space in his office between his desk and his so-called bookcase. Harjo has been one of the economic celebrities of Bandung. CNN had him on its NBC. Now, it's just SCTV, a local commercial broadcaster in Jakarta.

Harjo has a rack about capital markets in which he argues that Indonesia should somehow stop an external capital gain on its Bre-X shares. But Harjo is a serious economist, with a doctorate from Harvard and a long list of corporate clients who pay for his advice. Like many, he relies the choice in Indonesia's constitution that mineral resources must be used to the benefit of the people.

Harjo's is one of the more moderate voices. Bre-X, he says, should have been free to settle its own commercial disputes, should have been free to find its own partner. He is scathing of the apoplexy the company could itself trapped within. "Of course, Indonesia's situation is very weak, and very greedy, and very corrupt," he says for publication, it's always about time. If the foreign financial companies bring cash, their eyes turn green, you know. They don't realize what they're doing [has overexposed on international capital markets]."

But he is critical of Bre-X, too, as a high-flying stock play rather than a company that is in it for the long haul, which, he says, will do Indonesia no good. This is understandable. Indonesians do not share the Canadian experience, of the mine business struck by the penny-stock scam that first got taken up by an over-the-counter mining company. "It's hard not to see Indonesia be like Africa," he says. "The people are very poor. They have money. They have minerals, but they have nothing to eat. Just such a rich, such that, you know, I don't want that to happen to this country."

Benny Wahjo smiles when he hears of Harjo's comments. Wahjo is a member of the Indonesian Mining Association, which sent a letter of complaint to the government over its handling of the case. Strang is his office in a suburban Jakarta business park, Wahjo says. "Since the first day, we told the government that we are not in agreement with them when they tried to interfere. We told the parliament that it's not the way of doing business."

The government, eventually, did get the message. Sort of. The Bre-X case is, in the mind of the mining director general Kuntoro, that he was to present the government's statement on the ownership of Bandung. He had three hours to do it. At 11:30 a.m., a well-attended mines minister

Selimo served at a conference room in the city of mines and energy. He moved to the microphone to read Kuntoro's statement. He took one question from the audience, then did only one extraordinary general statement following his list, in three absences. Kuntoro's name stopped downward to answer media queries. Yes, he said, Bre-X's contracts of work would now be processed. They could receive their presidential blessing within days. "It was good luck that Bre-X found the gold," said a ministry official last week. "It was bad luck they found it before the COW was signed." If only a bad happened the other way around, he says. "Then there would not have been a problem. One will never know if that is true. The chaos over Bre-X, he agrees, "does not give any impairment at all with regard to our country."



Feldherer is a seasoned geologist combing the jungle for a hot gold

would not damage Indonesia's reputation among foreign investors.

Last Wednesday morning, Bre-X's Walsh, Feldherer, Princeton and their financial advisers took a conference call with analysts. "Some have mistakenly thought that we owned 90 per cent of this venture," said Walsh, "dropping a small bomb right off the bat." This was never the practical reality, nor was it over the basis for the millions of Bre-X's stock. "The deal was a victory," he said. "Ultimately, I do not think that the market understands the deal."

Bre-X shareholder Cheryl says he has a very clear understanding of the deal. "There's a multi-billion-dollar bet going on here," he says. "I'm stuck and led up with my investment." Cheryl says that when he first heard of the company's situation on Bandung, he "regarded the first few hours as a lightning bolt out of the deal." Then, he turned his attention to Indonesia. "They are peddling our products, but Walsh's comment on the 90-per-cent stake under Toronto mafia. Cheryl was in his truck at the time. He nearly cracked it up when he heard Walsh say such words. "I can show you dozens of news releases that say Bre-X had 90 per cent of this mine," says Cheryl. "Dumb," he says of Walsh, "bought herself potentially a classification suit for serious misstatements."

The Bre-X annual report for 1996 is a case in point. "The company, through foreign subsidiaries, entered into a joint agreement with PT. Aneka Tambak Karya Mineral, which entitles the company to a 90-per cent participating interest in a contract of work application," it says.

Now, Walsh was saying that was not true at all. That it was never true. This time last year, at the annual Prospectors and Developers Convention in Toronto, Walsh, Feldherer and prospector Mike de Garmas addressed a crowded ballroom in the Royal York Hotel. Such a story they had to tell. Of this great gold mine in a land far away. Feldherer tried to explain the geology of the find, a volcanic lake that beats the gold. His Dutch accent still heavy, his delivery dry, Feldherer was less than spontaneous. He said the mine contained 30 billion ounces. "Plus, plus,

plus." De Garmas said he would not rule out 50 billion. The background noise was that the mine really had 200 million ounces. Now, Feldherer suggests it will have twice that, so shareholders should not feel badly. In that scenario, their 95-per-cent interest is equivalent to 90 million ounces. That is three times the amount of the average gold mine. Cheryl sees it the other way around. That shareholders have lost 90 million ounces.

John Walsh, the CEO of Fluor Dene Inc. who badly wanted Bre-X's rights during "Today we're all a good deal wiser," he says. For a time, it really did appear as though the battle for Bandung would be opened up. "Then all of a sudden, it has disappeared again." He is surprised at the resolution. Fluor's sources had said Fluor was not interested in a project of this magnitude. But then, "I would not have thought you could buy for a small amount of money absolute operating rights." There is huge disappointment. "It is," he says, "a great, great good mine."

Barrick CEO Mark is taking a different look. "I tell you, if I had a choice, I would much rather do three Araya's," he says of the billion-dollar Peruvian acquisition he made last year. "I built this company by going down some fundamental principles. We're not a passive investor. We are a mining house in gold. That requires that we run our own destiny. I have to have control of my capital."

Mark says the people have now spent a year trying to take Bre-X. It is not the first time Barrick has failed. Failing to take over Dore-based Noranda Mining Corp. in 1991, says a Barrick spokesman. "He will not be bothered by a discussion on Barrick's latest success, massive savings, the optics of the government's complicity in forcing Bre-X into Barrick's arms last fall. "Once, when I write

my book—and I intend to write a book later—I will reflect on it." Seven years after the conference call with analysts, Feldherer is heading back to the body—but in a different way. He is Bre-X's gold properties in the province of Aceh and on the island of Sulawesi. Bandung should move forward slowly now. A full feasibility study. The plotting of the infrastructure. Bre-X is building homes for the local Dayak tribespeople, so that when the new mine goes on, it won't be a cluster of dwellings by the roadside. The company recently built a Catholic church—the Dayak are Christian—and will supply electricity and build a school.

One day, the Dayak will see a great job that their people are doing. It will measure six kilometers by three kilometers, and then it will be pulled more gold than has ever been pulled from a single mine. One might think there would be some satisfaction in this for Feldherer. But the real satisfaction, he says, was getting the victory of his geological dream, something "conceptually new."

Feldherer looks back on the past several months of aggression, of finding something that everyone wanted, something that he thought that another company might want to take. He is now—assuming the terms of the joint venture leave that possibility open, which at this point is unclear. "Business is business," he says. "You do away with your passions."

But surely, if the Bandung wrangle teaches anything, it is that business is not just business at all. As Feldherer disappeared back to the bush, there were still parties being played all around. The Bre-X players say they are going to have some serious discussions set on Bandung about the company's share price. Contradictions keep flaring up about the 90-per-cent ownership question, the issue of insider share sales last August and September, the issue of whether Bre-X even has a two-billion-dollar mine. The only conclusion one can draw is that the story of Bre-X is a long way from over yet.

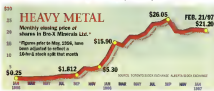
In a Chinese restaurant in downtown Jakarta, two gentlemen enjoy their after-dinner Durian cigarettes, the power snapping as they inhale the clove-scented tobacco drifting to the air. They believe that Bre-X has been more than a sleep operation in Indonesia. The company has badly broken the rules, they say. They provide some maps and a copy of the letter of complaint by Meralda. But they never give proof of their chief allegation, that Bre-X's application for its contract of work was cancelled.

It never comes clear how these men would have gained if Bre-X had been ousted from the property, which is what they maintain should have happened. It never comes clear whether they represented a specific corporate interest ready to move in on Bandung, should an opportunity arise. Their connections are elusive in words, either than being "high level" and "close to the Suhartos."

In this, the meeting perfectly suits the mystery of Indonesia, the dizzy meeting politics, the snail of money. Reclaiming Wismadarmas says there is a Marxist experiment, which, roughly translated, goes something like: "If you have an interest, you will not find the truth." That could be the motto for the battle for Bandung (C)



Examining Bre-X's core samples. Indonesian drilling results may have sealed Bre-X's fate



BUSINESS

The big money speaks

Why a campaign against CEO pay is sure to fail

His balding and bespectacled, portly and more than a little formal Yves Michaud certainly does not look like a prototypical working man's hero. But ever since a Québec Superior Court judge in January ordered the Royal Bank and the National Bank to allow their shareholders to vote on several resolutions proposed by Michaud, the 66-year-old Montreal activist has received dozens of phone calls and letters from small investors who support his battle against Canada's big banks. Like Michaud, they say they are outraged by the whopping salaries paid to bank executives—including the \$2.57 million doled out last year to John Cleghorn, the Royal Bank's chairman and chief executive officer. When the votes are counted at the Royal Bank's annual meeting in Vancouver on March 5—and a week later in Montreal for the National Bank—Michaud can rest assured that a lot of little guys will be on his side.

Unfortunately for Michaud, most of the big investors are on the bank's side. Michaud's crusade is shaping up as a lopsided fight between pension funds, mutual funds and other institutional investors—who collectively hold about 70 per cent of the Royal Bank's 324 million shares—and a smaller group of individual investors such as Michaud himself. One individual investor, a return from recent Nova Scotia who plans to vote for Michaud's proposals, says: "I'm not a Jewfish, I'm not a Lubliner and I'm not a Communist, but I think salaries of two, three and four million dollars a year are just a little bit excessive."

Even Michaud concedes that his salary

proposal—that CEO compensation be capped at 30 times the average annual income of bank employees—will probably go down in flames. "The institutional [money managers] often earn more than the chief executives of banks—that's why they are against that," he says. But after waging an intense, one-on-one lobbying blitz, the former Parti Québécois activist remains hopeful that the pension funds will support at least one proposal: dealing



Michaud taking on the banks

with the composition of the banks' boards of directors, that the posts of chairman and CEO be split to give the board more independence. Says Michaud: "I think we have a 50-per cent chance."

That is not the view, however, of the country's largest pension fund. "We would vote with [bank] management on these proposals," says Heather Hunter, vice-president for equity for the \$40-billion Ontario Teachers' Pension Plan Board. "We think the bank is generally moving in the right direction." She says the Royal avoids conflicts of interest by ensuring that committees of independent directors deal with such issues as salaries for senior executives.



Cleghorn's pension funds endorse his \$2.57-million pay packet

Hunter and other institutional money managers endorse the banks' current practice of using executive pay largely on corporate performance. "If you want to weaken the management structure by paying less than the market will bear, then you'll pay for it

in the long run," says John Cancell, treasurer of the Toronto Transit Commission Pension Fund Society, a Royal Bank shareholder. Anything that weakens a company, he adds, will ultimately hurt pension plan beneficiaries.

But in rejecting Michaud's call to split the roles of CEO and chairman, institutional investors will in many cases be contravening their own guidelines. Pension funds such as the Ontario Teachers and the giant Caisse de dépôt et placement du Québec—the largest public-sector pension and insurance fund in Canada, with \$56 billion in assets—have driven up corporate governance standards that call for a clear line between CEO and chairman. But it is not a

"hard and fast rule," says Kevin Dougherty, a spokesman for the cause. "We interpret it in a pragmatic way."

One bank that intends to stand by its guidelines is the Ontario Municipal Employees Retirement System, the country's third-

largest pension fund. In negotiations with the Royal Bank, Tom Guan, OMERS senior vice-president of investments, says he is looking. "Can you give me some valid reason why I should vote against my own guidelines?" But OMERS expects to vote against Michaud's other initiatives, Guan says.

As it happens, the pension funds' opposition to Michaud's reforms conflicts with the views of many of their own contributors. Earl Munster, president of the 50,000-member Ontario Secondary School Teachers Federation, says that his group has spoken out against the huge salaries paid to bank executives. "The pension plan based in this situation is probably going against the wishes of the average plan participant," he says.

Bob Verdaas, a veteran shareholders' rights activist who will represent Michaud at the Royal Bank meeting in Vancouver, acknowledges that the proposals have only a slim chance of being passed. The real victory, he says, is Michaud's success in giving small shareholders a bigger voice in the two Canadian companies he battles. "This is only a first step," says Verdaas, who publishes a community newspaper in Etobicoke, Ont. "It's not important to win," he adds. "It's important to fight, and that is, in essence, what this is all about." By the looks of things, the little guy is on for a tough battle.

JOHN SCHOFIELD



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Deirdre McMurduy



The Bottom Line

Dealing with dictators

Two unrelated events got every nation's attention in China warring last week. The first was the death of China's Deng Xiaoping. The second was a deal between Brix Minerals of Calgary and U.S. mining giant Freeport McMoilan, directly brokered by the Indonesian government.

Predictably, Deng's death led to rumormongering about his legacy and the future of the most populous nation in the world. But while Deng's record as an economic reformer was acknowledged in Canada, it was eclipsed by pronouncements on his poor record on human rights. Not that the massacre at Tiananmen Square did much more than briefly delay Canadian enthusiasm for trade with China.

In the case of Brix-X, the deal imposed by President Suharto and his advisers provoked name-calling for a global code on ethical corporate conduct. Meanwhile, on Bay Street, there was stoppy talk about withdrawing investment capital from Indonesia—at least until the next major wild strike.

Those critics were right—but for the wrong reason. Democracy and respect for human rights are not ultimately about morality and the righteous path to economic development. They are about making money in a stable sociopolitical climate. Financial markets, after all, hate surprises. And companies dealing with oppressive and totalitarian regimes are far more likely to encounter nasty surprises.

The demise of Deng gave some currency and stock traders the shivers because of uncertainty about the future of China and the billions of dollars invested there by Western companies and governments. At the same time, there is growing eagerness about the future of Indonesia. Soharjo, now 75, reportedly suffers from a heart condition, complicated by diabetes and a kidney ailment. In 1995 alone, foreign ventures directly invested \$6 billion in Indonesia. But recent military crackdowns against demonstrators in Jakarta have rattled confidence.

in the likelihood of an eventual smooth transition of power.

Cuba is neither the case in which politicians disguise the real issue: early access to an emerging market. As in China, the Canadian government decries its trade with Cuba as high-handed humanitarianism. Commerce is portrayed as the best means to help citizens of such countries towards prosperity, dignity and democracy. But the reality is that when 86-year-old dictator Fidel Castro leaves the scene, almost any outcome is possible. Canadian companies which are aggressively pursuing deals there now could face a backlash in the future.

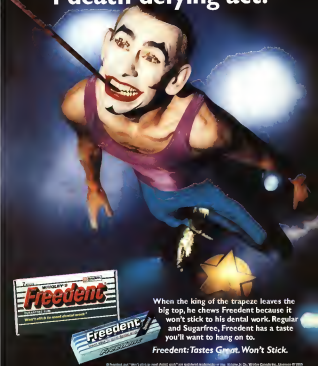
Democratic governments that abide by international standards and rules of law offer better environments for business. Elected leaders are accountable to voters and to the courts. Elections and public polls encourage political parties to tailor their platforms to popular opinion and the prevailing mood. That, in turn, gives businesses a reading on the economic climate in which they operate.

By contrast, in autocratic regimes like Suharto's Indonesia, it's almost impossible to predict the outcome of any initiative—even if local outcomes are observed. First, because the pain of Suharto's mismanagement is shared by limited influence and power among a few, it's hard to gauge the extent of the damage. In 1990, Barrick Gold boasted the support of former world leaders, including George Bush and Brian Mulroney, but the damage didn't endure. Last week, the Suharto regime blessed a deal between Barrick and Freeport McMoRan, another such barrier.

Similarly in China, Western investors have long complained about arbitrary changes in the terms of business agreements, of the absence of a commercial legal system. Nor do mention the Chinese government's plans to change for international trade rules.

Global trade is here to stay. But when dealing with so many undemocratic markets, Christian business and government leaders would be well advised to drop the righteous rhetoric and watch their wallets.

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Business NOTES

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WAL-MART'S UNION WOES

Seventy per cent of the workers at the world's only unionized Wal-Mart store signed a petition demanding a certification vote. The Ontario Labor Relations Board recently approved a union local organized by the United Steelworkers of America, saying management had intimidated workers at the Windsor, Ont., store into voting against the union last May.

GULF CLINCHES CLYDE

Gulf Canada Resources Ltd. of Calgary narrowly won control of Britain's Clyde Petroleum PLC of Britain after a hostile, two-month takeover battle. Gulf captured 51.42 per cent of Clyde's outstanding shares with a sweetened \$1.31-billion offer.

CROSS-BORDER POWER

Ontario Hydro told U.S. energy regulators that it will allow U.S. electricity producers to compete in the province in return for a license to sell power throughout the United States. The U.S. Federal Energy Regulatory Commission is expected to rule on Hydro's license application by March 30. E.C. Hydro and Hydro Quebec also want wider access in the U.S. market.

SURPLUS KEEPS GROWING

Canada's employment insurance fund will have an accumulated surplus of \$12 billion by the 1990-1991 fiscal year, said Treasury Board president Marcel Masse. The announcement revived criticism from business groups that the current premiums are a disguised "deficit reduction tax."

CADILLAC DUMPS MODEL

General Motors pulled a TV ad featuring supermodel Cindy Crawford after female executives at GM complained it was sexist. Crawford, dressed in high boots and a short skirt, portrayed a bored princess in a commercial for the new Cadillac Celer.

MANULIFE MILESTONE

Manulife Financial became the first Canadian insurer to earn more than half a billion dollars in profits in one year. Manulife's merger with North American Life helped propel the company to \$909 million in earnings, its third straight year of record profits. Manulife is still struggling for control of Atlantic Management Ltd., Canada's largest reinsurance trust at first company

Bombardier takes flight

Bombardier Inc. just keeps flying higher. The Montreal-based transportation giant announced last week that it has lined up 497 orders, worth a combined \$2 billion, for the new stretched version of its successful Canadair Regional Jet. But Air France's third-largest regional carrier, will inaugurate the 70-seat CRJ-700 when it makes its first flight in May. The aircraft will be the first of a new generation stretch in late 2000. First Air already owns one of the smaller 50-seat Canadair jets. "The exceptional operating economics of the Canadair Regional Jet have made it a valuable asset in our fleet," said first Air president Xavier Leclercq. Eight airlines, including Taipei's Great China Airlines, have ordered orders, options or firm orders of the aircraft. The CRJ-700 is wider than the 68 places already spoken for, Atlantic-based Atlantic Southeast Airlines Inc. in January ordered 30 Regional



Geoffrey, Brown and Peter Lau of Great China: success

Sales of Bombardier's aircraft have taken off so rapidly that the company's share of the world market for regional jets has almost doubled in the past three years, to 42 per cent. Bombardier is determined to remain the "manufacturer of choice by regional airlines worldwide," said Robert Brown, the president of Bombardier Aerospace.

Unco-operative takeover

A \$172-million bid for one of Western Canada's oldest agricultural co-operatives goes against the grain, the firm's chief executive says. Brian Hayward, head of Winnipeg-based United Grain Growers Ltd., said the joint offer by Alberta Wheat Pool of Calgary and Manitoba Pool Elevators of Winnipeg is too low, and he urged shareholders to reject it. The bid

came only a week after UGG introduced a measure to thwart takeovers by restricting single shareholders to 15 per cent of the shares. The pools demanded that UGG drop the so-called poison pill defence and argued that a takeover is essential to keep UGG in Canadian hands amid deregulation and increasing U.S. competition. UGG was established as a cooperative in 1911, but became a publicly traded company in 1989.

FINANCIAL OUTLOOK

The annual inflation rate was unchanged at 2.2 per cent in January, reinforcing hopes that the Bank of Canada will keep interest rates low. On a month-to-month basis, the consumer price index rose only 0.2 per cent over December. In the United States, inflation fell to three per cent in January from 3.3 per cent a month earlier.

Canadians shoppers spent \$37 billion in the last two months of 1996.

—Gottschalk

Extensive business downsizing in the 1990s might be raising productivity growth, allowing firms to produce more with less. The result in the United

INTERNATIONAL TRADE

1996	\$34.1 billion
1995	\$28.4 billion

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"Sustained, low inflation has become one of the benchmarks of Canada's economic performance. The others are a rapidly improving fiscal outlook and the

With an improving global economic environment and solid U.S. growth, the prospects for Canadian exports remain bright. ■

—Canada Trust

*As of December 31, 2014, lobby investments averaged over \$24 billion worldwide. Lobby funds for a nonprofit purposes, which means no more alternative. Please refer to our website for details and contact your advisor before making. There is no assurance that any fund will achieve its investment objective. We also note yield and investment return will fluctuate with market conditions. Investing also involves a risk of loss when interest rates rise.



Peter C. Newman

The downfall of Jesus Christ Superstar

Canadian capitalism, which makes somewhere between prison and alchemy, has produced two more fascinating spectacles since Nelson Skalkbania's ruminations as the rough house player once flamed round the West Coast sports and real estate scene.

This week, the Vancouver entrepreneur who signed Wayne Gretzky to his first hockey contract, is to be sentenced in a Vancouver courtroom on charges of fraud, theft and larceny. Now the victim of his carious exuberance and U-turn ethics, Skalkbania once described his technique of recycling three-quarters of his wealth he brought before court, considering the transactions as "the best return on equity there is. It's called selling, or, close to it." But in the process, he lost many of his fellow investors, lived on the edge of bankruptcy, and stretched the rules of even his prior past their legal limits.

"It never was something sweet and appealing about the man. His bewitching eyes, transfixing as board and offensively sinister, give him the countenance of the lead in a travelling company of Jesus Christ, *Superstar*. The habitual gambler in him is hostage to another, more rational and charming will, a man of good humor and surprising compassion who regards himself as a lark and the world as a glass window to talk against. At the height of his success in the late 1970s, he was dipping conventional real estate wealth (\$200 million a year, and became a West Coast cult figure of sorts.

At one point, he owned a \$2.7-million private jet, a pair of Mercedes-Benz 190SLs and four Rolls Royces, including the 1925 Phantom convertibles and the Indian pace car. The Great Strife. He built a 1,500-square-meter Greek villa overlooking Vancouver's Fraser River and bought John David, Kaiser's modernist \$100 million yacht, *Chimera*. After paying \$1.5 million to modernize the vessel, he crashed it for only three days before putting the ship back on the market. His art collection consisted of 400 pieces, including works by Rodin, Monet, Picasso and A.Y. Jackson.

It was a long way from his youth in White, Saskatchewan, and his average years in Vancouver. The son of a Polish carpenter, he came from a family so poor that young Nelson had to walk home from school on weak feet, because he had only one pair of pants. He eventually worked his way through a civil engineering degree at the University of British Columbia and later won a scholarship to the California Institute of Technology where he graduated with a master's degree in earthquake engineering.

In the next few decades, he set off a low costspikes in his own, specializing in real estate, but also moving into sports, becoming the owner at various times of the National Hockey League's Atlanta Flames (which he moved to Calgary), the Montreal Alouettes (baseball), Memphis Rogues (soccer), Vancouver Canadians (baseball)

and two World Hockey Association franchises—the Edmonton Oilers and, later, the hapless Indianapolis Racers. Skalkbania signed Gretzky to his first contract in the Racers, but even that deal helps. He eventually traded the budding Great One to the Oilers, then owned by Peter Pocklington. When he failed the Racers, an Indianapolis newspaper headline read: "Nelson, go back to Saskatchewan."

His strength was his negotiating skill. Like the master poker player he was, he knew how to keep his emotions in check, he so seldom fell in love with his properties because he was seldom sure them. His problem was that he would make most deals on impulse and the wisdom of such moves came later. What brought him down was that his business depended on obtaining inflation to keep increasing the value of most of the assets he bought, even when they had negative cash flows.

On Dec. 7, 1982, he ran out of money, credit and love. His second wife, Ellen, a gorgeous Greek with accurate cheekbones (who owns and runs Vancouver's swanky Wedgewood Hotel), became fed up with his antics and left him. He alienated the Vancouver Open Company \$20,000 for permission to publicly beg his wife's forgiveness during the intermission of one of their performances, but settled for making his apology at a private party for more than 250 of his best friends. ("I'll be the most honest, loving, considerate husband possible. I just have to get rid of all the shackles that I draped over my shaggy shoulders.") She agreed to his liberation, which is still in effect, and in the same evening he declared that he was \$20 million in the hole.

Instead of declaring bankruptcy, his creditors agreed to let him work out his debts—slowly, unannounced, he still managed to attract backers. The pattern was set with his first investment, Radio Caroleak, a pirate broadcaster anchored 18 miles off the English coast. It was recent to raise money by bypassing British commercial radio regulations, which were promptly changed to sink the venture.

There followed the purchase of a match factory, a mothballed cruise ship, a company that operated 50 miniature theme parks across the United States, a British television network, something called Club West (located on Clark West, with broken instead of headlines), a bar in Denver and an Australian newspaper. First promising to launch satellites. Over the deal parade, one of the low deals he turned down was trying to raise the Titanic by lifting it with Ping-Pong balls.

A year ago, he ran out of options. Not only were there still civil suits outstanding against him, but Skalkbania had used a partner's \$300,000 deposit as a real estate deal for his own private purposes, such as paying an overdue dry-cleaning bill. He did return the money with interest after three months, but the damage was done. Skalkbania was first acquitted by a lower court, but he lost on appeal.

Nelson Skalkbania is one of a kind. He is certainly down, but only the brave would count him out.



Certified General Accountants' Association

1997 Budget Highlights—Staying the Course

- Deficit targets will be reached or bettered. 1996/97 deficit down to \$19 billion
- No new taxes or government program cuts
- Measures to strengthen the Canadian health care system
- Encouragement to Canadians to increase their charitable contributions
- Selected tax measures to assist those in need—low-income families with children, the disabled, students pursuing higher education and youth
- Modest measures to help small and medium-sized enterprises and foster innovation



FORECAST

We are disappointed that the budget doesn't include a income tax cut to boost economic performance and create jobs. Our "Timely Event" study demonstrated that a \$4 billion tax cut would produce 150,000 jobs and a \$5 billion increase in real gross domestic product in the next four years. Aside from that, this is a solid budget that will likely be well received in the financial markets.

ERIC RAPPLETT, CGA Vice-Chairman, CGA-Canada



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PAGE 4 Encouraging charitable donations

OUR CHILDREN—OUR FUTURE

The '97 budget builds on earlier initiatives to create a national child benefit system. It proposes a two-step enhancement of the current \$6.1 billion Child Tax Benefit by July 1998. This \$850 million annual increase includes \$600 million in new funds, in addition to the \$250 million increase in the Working Income Supplement proposed in the 1996 budget.

How will this affect your family?

Starting in July this year, benefits provided through the federal Working Income Supplement will be paid on a per child (rather than a per family) basis. Eligible families will receive:

- \$600 for the first child
- \$400 for the second child
- \$300 for each additional child

Then in July 1998, the Working Income Supplement and the existing Child Tax Benefit will be combined into a new

Canada Child Tax Benefit. All families with a total income under \$20,921 will receive an annual amount of \$1,625 for the first child and \$1,425 for each additional child.

Helping disabled Canadians

The new budget will also help Canadians with disabilities participate more fully in Canadian society.

Starting in 1997, it proposes a refundable tax credit based on eligible medical expenses. This will be the lesser of \$500 and 25% of the taxpayer's allowable medical expenses. The credit will be available to workers with at least \$2,500 in earned income and will be reduced by five per cent of family net income in excess of \$16,000. Individuals claiming the refundable tax credit may also claim the medical expense tax credit.

The budget provides additional tax assistance to the disabled by broadening the list of expenses eligible for the medical expenses tax credit to include:

- 20% of the cost to adapt a site for transporting an individual using a wheel chair—up to a maximum of \$5,000
- A maximum allowance of \$2,000 to cover expenses incurred for moving to accessible housing
- 50% of the cost of an air conditioner prescribed by a medical practitioner as being necessary to avoid an individual in coping with a chronic illness or disorder—up to a maximum of \$1,000

■ The amount eligible for the tax credit for part-time attendant care increases to \$18,000 from the current \$5,000

■ The \$5,000 limit on the deduction from income for attendant care expenses that are necessary to allow the disabled individual to work is eliminated

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HELPING TO EDUCATE OUR STUDENTS

At the cost of a higher education continues to soar, the government plans to offer more assistance to students. This year, as many as a million full-time students could be the beneficiaries of new education education measures: \$150 per month (up from \$100) and to \$200 per month for 1998.

Tuition fees eligible for the tuition credit have been expanded to include other mandatory fees imposed by universities and colleges. This includes fees for health services, athletics and various other services. Not included are student association fees, auxiliary fees at universities (imposed by the Minister of Human Resources Development and the cost of textbooks and under items).

There's also good news for people who support students. Students will now be permitted to transfer up to \$5,000 (up from the current \$4,000) of assessed tuition fees and education deductions to a supporting parent, grandparent or spouse.

Prior to 1997, if the student or a supporting person could not use these education credits, they were lost. This year's budget proposes to allow students to carry the credits forward indefinitely—and they have sufficient tax liability to make use of them.

Increases to registered education plans

If you are contributing to a registered education savings plan (RESP) on behalf of a child, you will see several favorable

contributions increase to \$4,000 (from the current \$2,000) in 1997. However, you still cannot contribute more than \$42,000 per student in an RESP. This new measure may help taxpayers who have not been able to contribute to an RESP early in the child's life to "catch up" later on.

Income from an RESP has traditionally not been available to anyone other than the named beneficiary of the plan, and the funds had to be used for the child's post-secondary education. Not surprisingly, many parents and other supporting individuals have been reluctant to enroll in a program in which their investment income will be forfeited should their child decide against a post-secondary education.

The budget proposes to alleviate that fear by allowing contributors to receive RESP income directly under certain circumstances. New rules will allow RESP income to be transferred to the contributor—or the contributor's spouse—RESP.

But there are some catches:

- The contributor's (or spouse's) RESP must have sufficient contribution room.
- The RESP must have been earning for at least 10 years, and the beneficiary must have turned 21.
- At least 20% of the RESP income net fully offset by the RESP benefits will be imposed in addition to regular taxes.

MODEST HELP FOR SMALL BUSINESS

The government has frequently stated that small businesses are a major engine driving our economy. So, it is nice to see that the budget proposes some measures to assist these enterprises. These include reductions in employment insurance (EI) premiums and an expansion of the New Hire Program, which will provide further 61 premium relief to almost 900,000 eligible businesses. These eligible will pay no EI premiums for new employees in 1997 and will receive a 25% reduction in EI premiums for new employees in 1998.

To ease the paper burden on small businesses, the budget proposes to permit employers with good compliance records to remit employer deductions on a quarterly basis, for average monthly remittances of less than \$1,000.

Financing is an ongoing concern for many small business owners. They will be pleased to see that the funding for the Small Business Loans Act will be increased to \$14 billion from \$12 billion in 1997. The Small Business Loans Act allows new and existing small businesses to obtain loan loans from chartered banks and other lenders to finance fixed asset purchases and improvements.

of the recipient.

To make RESPs even more attractive and flexible, the budget proposes broadening the types of eligible full-time post-secondary education to include qualifying educational programs offered by correspondence or distance education from an eligible institution.

Deferral for student loans

Many new graduates are finding it tough to find a job these days—and this causes problems when it is time to repay their student loans. The budget proposes to modify the Canada student loans program to increase the deferral period for students unable to meet their loan repayment obligations to 30 months from the current 18. Combined with the usual six months after graduation when no payments are required, students will have up to three years to start making full payments.



The budget provides relief to a number of groups in society who need help. There is no doubt it will benefit youth, students, disabled Canadians, low-income earners and children in poverty. It addresses health care and encourages charitable contributions. All in all, there is some real evidence of social conscience in this budget.

JOHANNE LE GAC-QUALLAIRE, CGA
President, Québec Chapter, CICA

FORECAST

Encouraging charitable donations

Charities can no longer look for as much government assistance as in the past and this year's budget makes it more attractive for taxpayers to donate to their favorite causes. Starting this year the deduction limit for charitable donations has increased to 75% of net income. This will apply to donations to all registered charities. The new limit is an increase over the current 50% for most charitable donations—but a reduction from the current 90% for donations to certain other charitable organizations.

The deduction will be further increased by an amount equal to 25% of the amount of taxable capital gains included in the donor's income or 25% of the loss of

- The amount of receipt of capital cost allowance included in the donor's income and
- The lesser of its capital cost and its fair market value.

The budget also proposes to reduce the income deduction resulting from capital gains on gifts made after February 18, 1997, and before 2002 of securities listed on prescribed stock exchanges, to 37.5% from the current 75%.

Charities that continue to hold certain properties acquired from non-arm's length persons or partnerships may be charged a 90% tax on the value of those properties under certain circumstances.

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FORECAST

Clearly, reducing the deficit is the first priority. The Minister has also introduced a number of measures that will present financial planning opportunities, such as the new charitable donation rules and the RESP changes. And, even though it hurts, the budget is on the right track in reforming the Canada Pension Plan.

OGIN GOODSON, CFP, FCGA
Fellow, Kimp Harvey Goodson,
Toronto



Your personal tax plan should not be static. It should be reviewed and revised on an ongoing basis as changes occur in your personal circumstances and in tax legislation or interpretation. You should always review any specific tax plan with your Certified General Accountant.



A TIMELY BLEND

Prior to the federal budget, CGA-Canada launched its own numbers to recommend a recipe for a better budget. In A Timely Blend, *Blending Fiscal Forefront with Tax Reduction*, the Association called for a \$1 billion cut to income taxes. Our study showed that the modest tax cut would actually raise the real gross domestic product (the total of all goods and services produced in Canada) by \$5 billion and create more than 100,000 jobs by 2001!

For a copy of this report, check out our web site at www.cga-canada.org

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People

Edited by
BARBARA WYCKENS

Tyabji talks back

Her life story makes her a prime candidate for the talk show circuit, but Jodi Tyabji has turned the tables. Last week, Tyabji—a former U.C. politician who came to national prominence in 1985 when her extramarital affair with then-Liberal leader Gordon Wilson was revealed—began hosting her own TV talk show on Victoria's CHBC 6 station. Tyabji and Wilson, who were both separated at the time, originally denied their affair, only to have one of their love letters leaked to the media. After they announced their engagement, the two were tossed from the B.C. Liberal party. The whole series of events taught her the importance of her journalism, says Tyabji, 32, who married Wilson, now leader of the fringe Progressive Democratic Alliance Party, in May 2004. She admits that her program, focusing on controversial and current affairs, will air both sides of every issue. "In some ways," Tyabji says, "I think that television can be more effective in working for the people and fighting for the system than being an opposition MLA ever was."



Bathroom philosophical

Five men who have, always wondered why women go to the washrooms in groups, and what they talk about when they get there. *The Powder Room* can confirm their worst fears. Toronto filmmaker Alan Klein



MacIsaac: "Yes, I'm the male artist of the year. Thank you."

Making up for lost time

It took Luc Bissoneville 18 years to finish her as claimed first novel, *Marie avant l'été* (Following the Summer). But the busy publisher of Montreal's *Le Devoir* newspaper fired off her 1995 book, *Choses dures*, within three months. *Choses dures*, a short novel, recently translated into English as *Affairs of Art*, tells the story of a Montreal art critic who dies of AIDS and leaves a letter to a former lover about the men and women he loved. Bissoneville, 51, also has a collection of short stories that will be published in March and is at work on a third novel. "It's as if I got into the rhythm," she says of her prolific output. Although Bissoneville rolls out the idea just yet, she would certainly like to write a novel a year. "Since I started very late," she explains, "I have a sense of urgency."

Down East fiddler on the roof

For Ashley MacIsaac, it was a sweet homecoming: The Cape Breton Island fiddler has helped to popularize Cape Breton, with his 1995 album, *Mc, When Are You Today?*, selling 250,000 copies in Canada and currently topping up the alternative charts in the United States. But his punk trend on traditional Cape Breton tunes has irritated some purists in his native province. Nevertheless, last week 23-year-old MacIsaac was the big winner at the East Coast Music Awards in Moncton, N.B. As well as best male artist, he picked up awards for best album, best song for *Sleepy Magpie*, best pop rock artist and best dance hip-hop artist. MacIsaac's response was straightforward: "Yes, I'm the male artist of the year. Thank you."



Bissoneville: prolific poet

now spend a year and a half filming women in washrooms—everything from real rooms in local bars to a Moroccan bathhouse in a Dubai mall. She gathered about 100 hours of footage, which she edited down to a funny, macabre and revealing documentary for the National Film Board

With stunning candor, women talk about fidelity, late orgasms and the fundamental bankruptcy of the male gender: "The public washroom is a gold mine of human conversation," says Renard, 38, whose film has become a hit on the repertory circuit. "It got to be like group therapy in there."



Postponing death

In separate breakthroughs, researchers at two Canadian institutions report major discoveries about the cellular processes that underlie—and might someday be used to slow—the ageing process. In a paper published in the prestigious journal *Science*, McGill biologist Siegfried Hekims explained how a mutant gene called *clk-1* extended the lifespan of a key worm to 30 days from the normal 15 by slowing its metabolism and other biological processes. He also said that although genes similar to *clk-1* exist in humans, that does not mean that tinkering with them would enable people to live longer. But he added, gaining deeper knowledge of the biochemical processes involved in cellular

life "is clearly necessary if we are ever going to be able to do anything about aging." In another report published in *Science*, Lisa Hwangston, a research scientist at Toronto's *Ageless Institute*, identified a human gene, called *TPI*, that is part of a process involving an enzyme that appears to influence the lifespan of cells. The enzyme, called telomerase, acts to replace genetic material lost during aging, but there is a risk that it could lead to cancer by allowing cells to divide indefinitely without control. Studying out precisely how the *TPI* gene functions is the next step, said Hwangston—and it could well be an important one in finding ways to cure cancer, or add years to normal lifespans.

Caffeine and fertility

Over the years, scores of largely inconclusive studies have found a link between caffeine and numerous diseases. Now, a European study shows that heavy consumption of caffeine-laced drinks, including coffee, tea and many soft drinks, can affect fertility in women. The study, involving more than 3,000 women in five countries and published in the *American Journal of Epidemiology*, found that women who consumed more than 500 mg of caffeine a day—the equivalent of five cups of coffee, 10 cups of tea or 13 soft drinks—took 13 per cent more time to become pregnant than those who consumed no caffeine. In another study, published in the *American Journal of Obstetrics and Gynecology*, Norwegian scientists found that heavy coffee drinkers had unusually high levels of homocysteine, an amino acid that can increase the risk of heart disease.

Fetal anesthesia

In a breakthrough procedure that could make it easier to operate on unborn children, two doctors at Bonn University in Germany anesthetized a fetus for a life-saving operation in the womb while leaving the mother conscious. By inserting a needle through the 29-year-old mother's abdomen and into the umbilical cord, Bernd Ebeling and Manfred Hamann were able to provide blood to the unborn child, endangering because of a potentially fatal blood incompatibility, the university announced. The procedure requires the fetus to make no sudden movements and until now, that has meant anesthetizing the mother or giving the fetus a substance that paralyzed its muscles but did not dull the pain. Ebeling and Hamann delivered an anesthetic through the umbilical cord, monitoring the child to be sure that its heart beat normally throughout the 30-minute operation.

Hormone alert

Postmenopausal women who undergo estrogen replacement therapy run the risk of developing cancer of the uterus—but they can reduce that risk by taking the hormone progesterone at the same time, according to a study by scientists at the University of Washington. A survey involving nearly 2,000 women showed that those who took estrogen by itself ran a four times greater than average risk of developing cancer in the endometrial cells that line the uterus. But the Seattle-based researchers, whose results were published in the British medical journal *Lancet*, found that women who took both estrogen and progesterone had little or no increased risk of endometrial cancer. Estrogen replacement therapy reduces the likelihood of osteoporosis and cardiovascular disease in older women. But it is suspected of other health risks, including a possible link with breast cancer.



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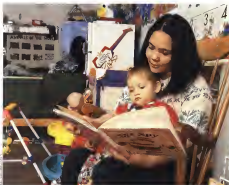


Teamwork for tough times

BY VICTOR DWYER

It may be an exercise in frustration, but Sally Sinclair is only too happy to be a part of it. Co-coaching with parents and youngsters in the socialized parenting room at the inner-city Dundas Public School in Toronto, Sinclair is doing her best to entice her 18-month-old son, Martin, to play with a small toy. Martin is not interested. Defiantly, he throws a picture book towards his mother, and holds it there until she takes it away beside him and begins to flip through it. Minutes later, sitting under a bulletin board that sports information on everything from reading and writing to nutrition and housing, Sinclair describes how the parenting center has helped get her family on the road to academic success. "I have learned a lot about parenting, and the children love about learning," says Sinclair, who also has two sons in kindergarten. For principal Kenneth McKelvey, whose school also offers breakfast and lunch programs, the center, where parents get advice and guidance on a range of family and parenting issues, is one part of an ambitious bid to lessen the effects of difficult times. "We fill in the blanks," says McKelvey. "And as more families struggle to make ends meet, there are no children there who are not in the home."

As Finance Minister Paul Martin trumpeted new measures to help Canada's poorest families in last week's federal budget, educators like McKelvey continue to wage their own quiet battle to help disadvantaged students. For many, that has meant transferring their schools into one-stop shopping centres, where families stretched for time and resources can get help from community and government agencies. Like Riddell, whose home has been an abode from day care to kindergarten and their parents—until the schoolhouse, long before it was time to move. Others are creating programs designed to provide high-risk kids that hard work pays off. "Children spend a lot of their waking hours at school," says Jan Robson, principal of Kincardine Central School, in Kincardine, Sask., a learning



Sinclair with son Martin receives advice and guidance on a range of issues

Schools battle to help high-risk kids

community 200 km southwest of Regina. "It makes sense for us to be the quarterback."

And in a downsizing, high-pressure world, it is not only children from the poorest homes who are showing up at school ill-equipped to learn. Middle-income parents too have lost ground. In 1980-81, a decade earlier, according to a study released last year by the Canadian Council on Social Development, 40 per cent of children were at risk of dropping out of school by age 17. Another study, released last year by the Council on Social Development, indicated that twice as many poor as non-poor teens drop out before completing high school.

Facing a tough battle, teachers increasingly are turning their task as a team effort. In the toughest neighborhoods, where poverty goes hand in hand with youth crime and drug violence, low enforcement agencies often play a major role. Last fall with an annual budget of \$173,000 shared by the local, provincial and federal governments, four inner-city Winnipeg schools launched a three-year pilot program called *Chances for Youth*. The program is aimed at 85 children as

graduates who have been identified as "at risk." But what, in the words of principal of St. Basil's Elementary School in Winnipeg, is the "young lifestyle." Along with Carol Dornell Kuchel, Huggan holds classes on conflict resolution, anger management, and the destructive aspects of life on the street. And volunteers, many of them university students, work one-on-one to improve the children's academic skills. "A lot of my friends were getting into gangs—doing break and enters, assaults, beating up old people for beer money," says Barbara Wesley, a Grade 8 student at Hugh John McDonald School. "Now, I have someone to talk to about the violence, and I'm looking up with other kids who don't want to be a part of it."

Others schools are working hard to connect with groups and agencies responsible for the welfare of children, encouraging them to make the schoolhouse a central dispensary. Last year, Seattle's home schools launched Integrated School-Linked Services, a unique program jointly funded by the ministries of education, justice, social services and health. It helps arrange for the children of social workers, parole officers, child protection workers and others who meet with families to solve immediate and chronic problems that get in the way of learning.

As governments cut back education budgets, such partnerships can be a matter of survival. Ryerson Community School in Toronto has developed ties with 50 agencies and 100 volunteers, from a local women's shelter to the Metro Toronto Housing Authority, to lend support to families who need it. "In the past, especially the '80s, teachers tried to be all things to all students," says principal Chris Bolton. "There are just not the resources for that now." Meanwhile, the school has developed its own program, including "night ops," in which kids can spend supervised evenings off the streets. "It means nobody can tell you children left not hanging out looking for trouble," says Grade 7 student Abida Olosh. "Now you can just tell them you've got better things to do."

Key to many programs is getting entire families involved. In Winnipeg's *Chances for Youth*, that means holding separate evening classes where parents can talk with volunteer counsellors about broader issues of home life and stress reduction. The Toronto board's 34 parenting centres work with more than 7,000 families in inner-city neighbourhoods. Their twin goals are to equip par-

enters with literacy and other skills, and to create positive attitudes to enable parents who have often had a personal history of failure at school. "We're not into this now, lazy self-esteem business," says program co-ordinator Mary Gordon. "We're into hard-core self-esteem, where parents can say, 'My child knows this because I worked hard to get him learning.'"

At least some politicians appear to be recognizing the wisdom of helping all kids get an early start to learning. Although cuts of \$400 million to Ontario's education budget have led some boards to eliminate junior kindergarten, other governments are placing a high priority on such programs. After acknowledging last fall the cost of kindergarten to both parents and families in

1994, Alberta announced close to full funding last September. "It's a big relief," says Mackay, "because the very kids who needed it the most are from homes that were least able to afford it." In Quebec, meanwhile, Education Minister Pauline Marois has announced plans to invest up to \$400 million in full-time kindergarten for five-year-olds and part-time junior kindergartens for students from low-income families.

While educators are encouraged by such moves, they are also wary of being swept along by politicians to make a significant difference. Martin's recent announcement notwithstanding, Ryerson's Bolton notes that the Ontario government has begun to reduce pressure of looking for breakfast and after-school programs, replacing it with seed money diagnosed on an ad hoc basis.

And although Mackay is relieved by Alberta's decision on kindergarten funding, she notes that the majority of other spending has been earmarked for a \$3-billion drive to computerize classrooms. "We want it up to the children," says Mackay. "But when a child is hungry, or coming in from a family in severe financial crisis, looking for help to the Internet isn't going to mean a heck of a lot to them." Still, at a time when so many children continue to live in poverty, many teachers say they have little choice but to carry on with the job at hand. "We've got to work hard for our children as schools," says Saskatchewan's Bolton. "But we've got to take kids where we get them, and work with whoever will help us to give every student a fair shot at success."

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FILMS

world. I actually happen to love the South. It's a magical place. But every time you have a magical place," he laughs, "there's more than one kind of magic."

Paradise Lost is a true story of crime and superstition in the Bible belt. In 1982, the mutilated bodies of three college-age girls were pulled from a shallow creek in West Memphis, Ark. On the night they had gone missing, the manager of a restaurant near the crime scene reported seeing a black man covered in mud and blood on the premises. But the man was never found, and police lost blood samples from the restaurant. A month later they accused three local teenagers—Jesse, Michael Jr., Jason Fieldman and Dariusz Eichholz—of brutally murdering the boys as part of a satanic sacrifice. By the time the teens were tried, the local media had whipped the community into witch-hunt hysteria with unsubstantiated tales of blood-drinking and homosexual rites.

Dariusz is the most vilified of the defendants—suspicious because of his name (which he shares with the demon in the movie *The Exorcist*), and because he dresses all in black, listens to heavy metal and cultivates an interest in the "white magic" of the Wiccan religion. Jason, meanwhile, is stigmatized by his friendship with Dariusz. And Jesse, who has an IQ of just 72, claims he was coerced into testifying during a marathon police interrogation. Although the trial produced no hard evidence against the defendants, all three were convicted of murder. Dariusz is currently on death row and the other two are in jail for life.

Tracking the case from the very beginning, New York City filmmaker Joe Berlinger and Bruce Semeloff obtained interviewing access. They got their cameras into the courtroom, the jail cells and the judge's chambers. They interviewed guards at the victims and the accused, with both sides issuing venom. They shot lawyers' strategy sessions, and even covered up on an in-house phone chat between the jailed Jesse and his girlfriend.

The voyeuristic effort all is disappointing at first, but the film is also a study of voyeurism, showing how the media feed a spirit of blood vengeance. *Paradise Lost* becomes a film about white trash hell's economy that

is as scary as the crimes themselves. John Mark Byrne, a gun-kwong Baptist pastor in unadorned boxes, is the worshiper of one of the victims. One moment he is volunteering a hymn from the pulpit, the next he is blasting bullets into a pumpkin that he has set up to represent the accused arena.

The film makes you go close to the other actors that they even affected the trial. At one point, Byrne gave them a hunting knife as a gift, and when they noticed it had blood on the blade, they handed it over to the authorities, who put Byrne on the stand as a potential suspect in the murder of his stepson. Other evidence implicating him proved unconvincing.

Apart from that bizarre twist, the film-makers let events unfold as they occurred. Unlike the ground-breaking documentary *The Thin Blue Line* (1986), *Paradise Lost* does not reconstruct the crime organically. "We want to treat the audience as jury members," Berlinger explained in an interview last week. "Our point of view is submerged in the film—but yes, there are a little voice-overs, but that doesn't mean they control the entire. There was no evidence—it was just like the Salem witch trials. Personally, I think there's a serial killer who's still out there."

That viewpoint, however, is so submerged that, according to Berlinger, at least 200 per cent of people who see the film (including this

viewer) walk out assuming the teens are guilty. And that is largely because all have the common factor: Dariusz—as a nihilist seduced by his sudden notoriety and impulsive to his film. "He's an extremely self-absorbed, narcissistic teenager," says Berlinger. "He's his own worst enemy." The film's ambiguity, he adds, "has caused me a lot of sleepless nights. I think we did the right thing, on the other hand. However, because we believe they were innocent, and they're not just characters in a movie, I wonder if we didn't do the best job on the advocacy level. Since we love the stars of all this story, did we sacrifice some of Dariusz's choices in trying to make a good film?"

It is a question that makes *Paradise Lost* even more unsettling. As a dispassionate portrait of an America where the Devil is still a credible force, and everyone seems corrupt, the film does not just expose horror, it delivers viewers into a garden of evil, and forces them to choose their own demons. □

'There was no evidence—just like the Salem witch trials'



Dariusz seduced by his notoriety



Paradise Lost, Warner

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'Masters of suspicion'

Canadians are not the boy scouts they used to be

SEX IN THE SNOW

By Michael Adams
(Wiley, 220 pages, \$27.95)

Few things are more reassuring than the assumptions people make about themselves—as individuals or as a society. Canadians, for example, have traditionally viewed themselves as low-shedding, polite, conservative people—tolerant pacifists living in the land of the white snow. But that is no longer an accurate self-portrait according to veteran pollster Michael Adams. His new book, *Sex in the Snow*, presents a portrait of the modern Canadian character that will surprise and alarm many readers—and unsettle those who cling to the conventional.

The title of the book may mislead third-graders: in fact, *Sex in the Snow* is a serious and intriguing analysis of a nation and society in transition. The "snow" is an allusion to Canada's framework of established values. The "sex" is a reference to the new emotions in Canadian self-identification.

The book's reflection of the recent changes in the collective soul of Canadians is not always flattering. We may still be kinder, gentler and less violent than our American counterparts, but, Adams argues, we are not the boy scouts we have usually thought of ourselves to be. Instead, he says, today's Canadians are frustrated by instant gratification, participate vigorously in the underground economy, and have a diminished attachment to their authorities—be they religious or political.

The result, the author maintains, is a new sense of individualism that asserts itself in a variety of unfamiliar ways. The most obvious manifestation is the overt rejection of traditional authority. Now, Canadians have become "masters of suspicion." Rather than accepting the status quo, they question, challenge and demand it to an unprecedented degree. A function of this new "investigative posture," he writes, is a greater propensity for lashing the backs, launching tax revolts and taking politicians to task.

Adams argues that the new edge to the Canadian character stems, in part, from the abrupt withdrawal of an interventionist cen-



Adams: Canada has entered the age of 'post-individualism'

tral government. He suggests that the omnipresence of public-sector spending cuts and private-sector corporate layoffs has reduced Canadian confidence in the paternalistic order of the Establishment. At the same time, Canada's history of cultural tolerance, combined with technology, has contributed to the creation of an increasingly flexible social order, complete with a redefined set of moral principles.

In fact, according to Adams, this new set of values is far more influential in shaping Canadians' reactions and priorities than ethnic/religious demographics, racial/ethnic differences, economic status, religion, race or age. Canadians are now forming connections based on mutual interest, affinity and need. Canada, declares Adams, has entered the age of "post-individualism."

As hinted by education, the 50-year-old

author is a sociologist. That background has imbued him with a strong interest in classifying and to superimpose order on a chaotic universe in a way that may strike some readers as a trifle too convenient. Adams neatly divides Canadians along tribal lines, based roughly on their age groups. The progressive fragmentation of Canadian society, as noted by Adams's diary, is revealed by the increased number of divisions among younger generations. The "elites" category, for example, includes only three distinct tribes, while Generation X has five tribes. The "tribal tribalism" dominates the elites, the "disengaged Generation" for socio-economic reasons, and the "strategic tribe" among baby boomers, and the "helpless dependents" are, by a narrow margin, the kingdom of Generation X.

This tribal analysis is at the heart of his thesis about the pressures and shifts that have shaped and will continue to shape our culture. But the slightly clinical tone he brings to the detailed dissection of the groups overruns the clarity, effort less style of the rest of the book.

Adams's thorough comparison of Americans and Canadians is a useful by-product of his book. He observes that Canadians are more flexible in the definition of family, more tolerant of youth and diversity, and more morally sophisticated. Where Americans tend to see complex human issues in terms of good and bad, blacks and whites, Canadians see infinite shades of grey. And that perception meshes elegantly with his haunting conclusion about the future of Canada and the prospects of its citizens. That willingness to see all sides, which may be regarded as indecisiveness, is, instead, Adams argues, evidence that Canadians are more open and adaptable in a rapidly changing world.

At a time when cultural trade with the United States has become increasingly complex and controversial, that is one of the reasons why Adams's book is strong material for the future. He concludes that there has been "much less socio-cultural assimilation of Canada by the United States than is often feared." Furthermore, Adams makes the case that Canadians' pragmatic tolerance, as well as the flexible structure of Canadian society, position that country especially well in the era of rapid technological change, virtual borders and global cyber-culture. Canadians, he concludes, "have a richness of spirit we are only beginning to become aware of again." But then, what could be more Canadian than that, eh?

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BOOKS

Rich little poor boy

An Irish memoir evokes poetry amid poverty

BY DIANE TURBIDE

Twenty years ago in New York City, Frank McCourt and his brother Malachy launched *A Copsey of Memories*, a review in which they sold stories and song songs from their penurious childhood in Limerick, Ireland. Their mother, Angela, was in the audience, and as the tale of a work without the family hiding from rent collectors, she stood up and denounced it loudly as "a pack of lies." The brothers then invited her on stage to give her version of events, but she declined, telling them—and the audience—"It'd not be caught dead up there with the likes of ye. For a reputation to maintain." Recalling that colorful episode in an interview, Frank explained that his mother was ashamed of the abject poverty they had endured, as he himself had once been. "When my brother and I first emigrated to New York, we were passing ourselves off as the sons of a poetman," he says, laughing, "so if that was the height of professionalism."

In fact, McCourt, a 55-year-old former schoolteacher is long past being ashamed of his background. His childhood memoir, *Angela's Ashes* (Doubleday, \$22), topped the *Washington Post* best-seller list of *The New York Times* in late-February and ranks as several *Goodreads* best-seller lists. And with \$16,000 hardcover copies in print in North America alone, it is also selling briskly in Germany, Britain and, of course, Ireland; the book has topped a \$1.3-million paperback rights deal and a movie option. It has been nominated for both the National Book Critics Circle Award and the *Nas* *Aspen* *Golden Book Award*, and is no doubt to be a best-seller for this year's *Pulitzer*, to be announced in April. "I don't believe it, really," McCourt muses. "I mean, all this for an epic of misery."

Slit down towards and bemoaning with self-deprecating humor, McCourt is being



McCourt, *Angela's Ashes*, an alcoholic father—and, always, laughter

some what disingenuous. Part of the book's appeal is the author's ability to reversion the harrowing to the hilarious, all told through the Irish, urgent voice of the young Frank. His alternately funny and heartbreaking account of his life at home, at school, and on the streets and lanes of Limerick, gives an exhilarating edge to the familiar outlook of Irish-Catholic deprivation—"the poverty, the shabbiness, the language of the poor, the delirious and another meaning by the porous priests' bulging schoolbags, the English and the terrible things they did to us for 800 long years." But in the next sentence, McCourt gently shows the clichéd scene with a terse, low words, "Above all, we were wet" and goes on to describe the particular torments of Limerick weather.

McCourt suffered all that, and more. His

father, like many a hopeless alcoholic who routinely drank away whatever money he could by his hands on, whether it was the tide or wages from short-lived jobs. Frank and his siblings, crowded mostly on bread and tea, with the father often led only ragged water. Mother Angela begged at various charities for food, clothing and shoes, and more than once boiled a pig's head for their Christmas dinner.

Yet amid the fleas, the snells and the deaths (McCourt's two-year-old twin brothers died of pneumonia within six months of each other, while an adult sister died of unknown causes), there was love and laughter, unexpected kindness and even the odd treat. "When you're down as low as you can get economically it gives you a kind of energy you wouldn't have otherwise," McCourt reflects. "And there was a family, such as it was, and there was a community. We all had things in common: the Catholic church, school, songs and poetry—poetry was everywhere. That's the paradox, it was a rich life despite the poverty. It was economic deprivation had a cultural richness that kept us going. That, and the dream of getting out."

McCourt believes that most North American children avoid walking from the very experience of what he experienced. "They're overloaded with material wealth and surrounded with too much information," he says. "I feel sorry for kids who have so much and yet so little. No family life, no songs, no liturgy to be the friends with their father in the morning, talking and looking into the flames."

It seems something that McCourt can be so forgiving of his father, who more or less abandoned his four sons and wife when Frank, the eldest, was 11. Doubtless, Malachy was going to see his son in England's war-torn factories, the navy of McCourt's neighbors, and would be sending money back to his family. But all too probably, he drank most of it away and returned only a few times, turning up one Christmas without his tin of denture and with a half-pint of gin in his pocket. From an early age, McCourt recognized his own knowledge about a brother who would entertain him with stories of Irish warriors and help him with homework one day, and show incredible closeness to the next. "I think my father is like the Holy Trinity

BOOKS

with three people in his," he writes, "the one in the morning with the paper, the one at night with the stories and the prayers, and then the one who does the bad thing and comes home with the smell of whiskey and wants on to be for Ireland."

Frank, who had been singled out as a gifted student, nonetheless dropped out of school at 14 and took on a series of menial jobs, including delivering telegrams and writing threatening—and unwelcome—come-letters to the delinquent customers of a dress-

maker. By 18, he had made enough to sail to America, the country where he had been born but had left at the age of four when his feckless parents returned to Ireland in search of better times. In New York, he worked at various odd jobs before enlisting in the U.S. army, and then attending university on the G.I. bill.

If the tribulations of his childhood made him a survivor, they also left him damaged. As a young man, McCourt says, he was "a mess: confused, vulnerable, fearful, uptight,

especially about women, and angry about all anger I buried in my 30s, and I realize I think I was the angry driving force of my life." Two marriages ended in divorce. Since 1989, he has been happily married to his third wife, Ellen Frey, a publicist, with whom he lives in a Manhattan apartment. McCourt says that it was his only child, Maureen, now 25 and the mother of a four-year-old daughter herself, who was the key to helping him sort out his conflicting emotions. "I could express love and tenderness with her, she understood it all."

Teaching, as well, was his salvation. After McCourt had obtained an English degree from New York University, he began a 30-year career as a high-school writing teacher, which ended with his retirement in 1987. McCourt says that he felt a strong rapport with his students, and learned a lot from them. "If I hadn't been a teacher, I would probably have drunk myself to death," he notes. "Teaching made a man out of me." Occasionally, he would tell students his own stories. "They were tough critics, there was to be no sympathy with them. They'd say, 'C'mon teach, we've got our own problems!'"

McCourt says he spent many years "fiddling"—writing bits of dialogue and small scenes of the book that eventually became *Angela's Ashes*. Tinkered away as a drawer in an early version, which he describes as derivative, pretentious and awful. "Whenever I started to feel snug, I took it out of the drawer and said, 'What am I doing here?'" he says. But it wasn't until 1994 that he started to write seriously, and finished the manuscript in one year.

Last October, he returned to Liverpool, where the story, projected him in his old role as a writer, was launched at O'Mahoney's Bookstore, where some 600 people turned up for the signing. As a naturally shy McCourt had been thrown out of the bookshop while trying to discover how John Galsworthy turned out. (It's a lesson introduced in Shakespeare's *Twelfth Night*.) By way of apology, the management of O'Mahoney's presented him with a complete set of Shakespeare.

McCourt will spend part of this year as a writer in residence at the University of Toronto, and will start the sequel to *Angela's Ashes*. It will cover his adult life from his early years as an American immigrant (his three surviving siblings and his mother, who died in 1981, eventually joined him in the United States). McCourt guesses that says he's thinking of calling it *A Park of Last But McCourt and his readers know that, as Angela would have said, "That's it."*



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Allan Fotheringham

Why budgets are no longer made in secret

Tradition is a wonderful thing, supposedly the glue that keeps our society on track. We must respect our history, goes the line, or we will never learn from it. Tradition is our lodestone.

This is true, in part. Fred Astaire, before he died, said he felt sorry for modern young people: "How can you learn manners when you've never seen them?" It is not true, in part. Witness the present day—what has tradition taught them?

Tradition is also a crock when it comes to Parliament and the most overlooked factor of Paul Martin's budget is the way he approached it. He knows, as any sane person does, that the arcane, sacred tradition of "budget secrecy" is as dead as the haddock. But the mostly sane ones...

On Budget Day, some 400 scribbles and TV teeth-and-hair types were imprisoned in an abandoned house at Ottawa airport in the traditional "bushy" — sustained only by parking and car-muffs, state coffins and bad coffee. Why? Because tradition dictates that they need hours to read the incomprehensible bulletpoints that give into any finance minister's speech and cannot be trusted to send off a word of it until the great man himself stands on his hind legs on the Commons and shouts the stuff aloud.

This is nonsense, of course, derived from the days 50 years ago when as Westminster a Labour chancellor of the exchequer, Hugh Dalton, had to resign immediately after he had joked to a reporter about his bad smoking habits on the way into Parliament and the alert lack had news of tough new tobacco taxes on Fleet Street before poor Dalton had got to that point in his speech.

In Washington, a pre-budget bill Clinton floats has side to its public one where he wants to go and what he wants to spend. Every social-interest group in the local attacks or supports his concept—labor unions, teachers, industry, the producers' lobbyists, the tree-huggers. A Republican-controlled Congress hedges him. Everyone contributes and



criticisms, and by the time the budget is finally delivered, every single American who can read or carelessness exactly what the numbers are. To maintain this Dickensian concept in Ottawa—scabies locked in a chilly hangar with inedible food—is as honey as the Charge of the Light Brigade. Martin knows that. It's why he spent his pre-graduate months conferring with stock-market types, academics, child-poverty experts—anyone he could find who might be affected by what he, separately, wanted to do. There's just nothing he could do, he figures.

The nonsense? You will recall the tremendous uproar several years back when a senior hotel clerk leaked budget secrets to Ottawa TV reporter Doug Smith and a small army of the fuzz was dispatched to find the miscreant and possibly put the dreadfully dangerous hotel in the crosshairs (here).



That Martin is on the right track (he surely) was indicated on Budget Day when the CBC, for once taking as bulk its hand, opened its TV presentation of the Martin century by telling its viewers the key points of what the 6 prime minister was about to announce.

It marked a clear divide between the noisiness of yester year and what will come in the future. The 400-granblers in the bazaar were there because of available space in downtown Ottawa had been previously booked.

at being caught between Dickens and today that a dick read the sullen scribbles and pretty faces by his back to Puffington as he set the publicity and face-on interviews, it wanted

Of course, as we know, it is far removed from reality in the U.S. Wars. So there we have this sacred scene. Thanks to the government leaders but, actually, being locked in an artificial prison to obey tradition, then being escorted to Parliament Hall because the regime needs to get its hands on cameras for the opening scene to transmit the new sense that it knows is nonsense. American journalists detained in Canada by the major U.S. papers back upon this goofy scene is something out of the War of 1917 when soldiers were killed red jackets so their opponents could quickly pick out something to shoot at. There are copies in their possession.

We have a suggestion for the Ottawa press gallery. Next budget, do a funny thing. Go sit in the press seats over the finance minister's head and listen to his speech and then leisurely file it off to the city editors' newspapers and television stations.

The government would go bananas. Its sense of tradition, of traditional "secrecy" would be revealed the what if's. When Martin the Younger becomes prime minister all the subterfuge will, hopefully, be obtained. But don't count on it.



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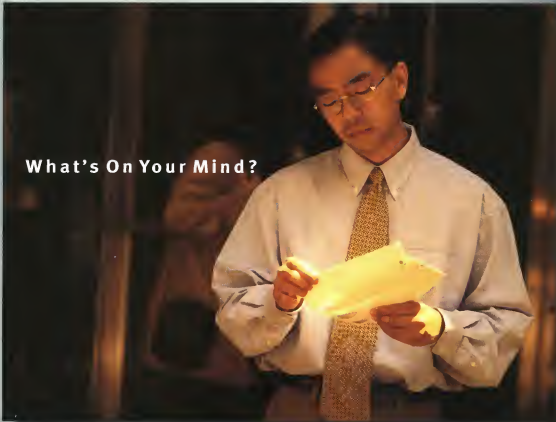
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⁸ See, e.g., *World Bank: 1999*, *Measuring Development* (Johns Hopkins University Press, Baltimore, 1999).

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